Calendar No. 607

100TH CONGRESS *2d Session*	SENATE	REPORT 100-311

FY

CONCURRENT RESOLUTION ON THE BUDGET

1989

REPORT

OF THE

COMMITTEE ON THE BUDGET UNITED STATES SENATE

TO ACCOMPANY

S. Con. Res. 113

together with

ADDITIONAL AND MINORITY VIEWS

Establishing the congressional budget for the U.S. Government for the fiscal year 1989 and setting forth the appropriate budgetary levels for the fiscal years 1989, 1990, and 1991

MARCH 31, 1988.—Ordered to be printed

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III

Calendar No. 607

100TH CONGRESS
2D SESSION

S. CON. RES. 113

[Report No. 100–311]

Setting forth the congressional budget for the United States Government for the fiscal years 1989, 1990, and 1991.

IN THE SENATE OF THE UNITED STATES

MARCH 31, 1988

Mr. CHILES, from the Committee on the Budget, reported the following original concurrent resolution; which was placed on the calendar

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CONCURRENT RESOLUTION

Setting forth the congressional budget for the United States Government for the fiscal years 1989, 1990, and 1991.

Resolved by the Senate (the House of Representatives concurring), That the Congress hereby determines and declares that the concurrent resolution on the budget for fiscal year 1989 is established and the appropriate budgetary levels for fiscal years 1990 and 1991 are set forth.

MAXIMUM DEFICIT AMOUNTS

SEC. 2. The following levels and amounts in this section are set forth for purposes of determining, in accordance with section 301(i) of the Congressional Budget and Impoundment Control Act of 1974, as amended by the Balanced Budget and Emergency Deficit Control Act of 1985 and the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987, whether the maximum deficit amount for a fiscal year has been exceeded, and as set forth in this concurrent resolution, shall be considered to be mathematically consistent with the other amounts and levels set forth in this concurrent resolution:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1989: $964,600,000,000
Fiscal year 1990: $1,043,200,000,000.
Fiscal year 1991: $1,123,200,000,000.

(2) The appropriate levels of total budget authority are as follows:

Fiscal year 1989: $1,231,000,000,000.
Fiscal year 1990: $1,302,800,000,000.
Fiscal year 1991: $1,385,000,000,000.

(3) The appropriate levels of total budget outlays are as follows:

Fiscal year 1989: $1,100,600,000,000.
Fiscal year 1990: $1,158,100,000,000.
Fiscal year 1991: $1,215,700,000,000.

(4) The amounts of the deficits are as follows:

Fiscal year 1989: $136,000,000,000.

Fiscal year 1990: $114,900,000,000.

Fiscal year 1991: $92,500,000,000.

RECOMMENDED LEVELS AND AMOUNTS

SEC. 3. (a) The following budgetary levels are appropriate for the fiscal years beginning on October 1, 1988, October 1, 1989, and October 1, 1990:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1989: $706,100,000,000.

Fiscal year 1990: $760,800,000,000.

Fiscal year 1991: $817,200,000,000.

and the amounts by which the aggregate levels of Federal revenues should be increased are as follows:

Fiscal year 1989: $0.

Fiscal year 1990: $0.

Fiscal year 1991: $0.

and the amounts for Federal Insurance Contributions Act revenues for hospital insurance within the recommended levels of Federal revenues are as follows:

Fiscal year 1989: $63,400,000,000.

Fiscal year 1990: $68,200,000,000.

Fiscal year 1991: $73,400,000,000.

(2) The appropriate levels of total new budget authority are as follows:

Fiscal year 1989: $972,500,000,000.

Fiscal year 1990: $1,020,300,000,000.

Fiscal year 1991: $1,079,000,000,000.

(3) The appropriate levels of total budget outlays are as follows:

Fiscal year 1989: $886,700,000,000.

Fiscal year 1990: $932,900,000,000.

Fiscal year 1991: $979,000,000,000.

(4) The amounts of the deficits are as follows:

Fiscal year 1989: $180,600,000,000.

Fiscal year 1990: $172,100,000,000.

Fiscal year 1991: $161,800,000,000.

(5) The appropriate levels of the public debt are as follows:

Fiscal year 1989: $2,825,400,000,000.

Fiscal year 1990: $3,065,300,000,000.

Fiscal year 1991: $3,289,500,000,000.

(6) The appropriate levels of total Federal credit activity for the fiscal years beginning on October 1, 1988, October 1, 1989, and October 1, 1990, are as follows:

Fiscal year 1989:

(A) New direct loan obligations, $28,300,000,000.

(B) New primary loan guarantee commitments, $110,600,000,000.

(C) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New direct loan obligations, $27,100,000,000.

(B) New primary loan guarantee commitments, $122,900,000,000.

(C) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New direct loan obligations, $26,700,000,000.

(B) New primary loan guarantee commitments, $132,100,000,000.

(C) New secondary loan guarantee commitments, $0.

(b) The Congress hereby determines and declares that the appropriate levels of budget authority and budget outlays, and the appropriate levels of new direct loan obligations, new primary loan guarantee commitments, and new secondary loan guarantee commitments for fiscal years 1989 through 1991 for each major functional category are:

(1) National Defense (050):

Fiscal year 1989:

(A) New budget authority, $299,500,000,000.

(B) Outlays, $294,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $312,300,000,000.

(B) Outlays, $304,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $325,000,000,000.

(B) Outlays, $316,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(2) International Affairs (150):

Fiscal year 1989:

(A) New budget authority, $16,600,000,000.

(B) Outlays, $16,200,000,000.

(C) New direct loan obligations, $5,900,000,000.

(D) New primary loan guarantee commitments, $9,500,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $17,700,000,000.

(B) Outlays, $16,000,000,000.

(C) New direct loan obligations, $6,000,000,000.

(D) New primary loan guarantee commitments, $9,900,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $17,200,000,000.

(B) Outlays, $15,800,000,000.

(C) New direct loan obligations, $6,100,000,000.

(D) New primary loan guarantee commitments, $10,300,000,000.

(E) New secondary loan guarantee commitments, $0.

(3) General Science, Space, and Technology (250):

Fiscal year 1989:

(A) New budget authority, $13,400,000,000.

(B) Outlays, $13,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $14,000,000,000.

(B) Outlays, $13,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $14,500,000,000.

(B) Outlays, $14,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(4) Energy (270):

Fiscal year 1989:

(A) New budget authority, $4,900,000,000.

(B) Outlays, $4,200,000,000.

(C) New direct loan obligations, $2,000,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $5,400,000,000.

(B) Outlays, $4,300,000,000.

(C) New direct loan obligations, $2,100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $5,200,000,000.

(B) Outlays, $3,700,000,000.

(C) New direct loan obligations, $2,200,000,000.

(D) New primary loan guarantee commitments, $100,000,000.

(E) New secondary loan guarantee commitments, $0.

(5) Natural Resources and Environment (300):

Fiscal year 1989:

(A) New budget authority, $14,600,000,000.

(B) Outlays, $14,900,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $15,200,000,000.

(B) Outlays, $15,500,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $15,900,000,000.

(B) Outlays, $15,800,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(6) Agriculture (350):

Fiscal year 1989:

(A) New budget authority, $27,000,000,000.

(B) Outlays, $23,200,000,000.

(C) New direct loan obligations, $15,600,000,000.

(D) New primary loan guarantee commitments, $6,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $25,200,000,000.

(B) Outlays, $21,900,000,000.

(C) New direct loan obligations, $14,200,000,000.

(D) New primary loan guarantee commitments, $6,800,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $22,200,000,000.

(B) Outlays, $19,900,000,000.

(C) New direct loan obligations, $13,600,000,000.

(D) New primary loan guarantee commitments, $6,900,000,000.

(E) New secondary loan guarantee commitments, $0.

(7) Commerce and Housing Credit (370):

Fiscal year 1989:

(A) New budget authority, $13,500,000,000.

(B) Outlays, $9,100,000,000.

(C) New direct loan obligations, $2,700,000,000.

(D) New primary loan guarantee commitments, $63,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $15,100,000,000.

(B) Outlays, $8,100,000,000.

(C) New direct loan obligations, $2,700,000,000.

(D) New primary loan guarantee commitments, $67,200,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $9,000,000,000.

(B) Outlays, $3,600,000,000.

(C) New direct loan obligations, $2,800,000,000.

(D) New primary loan guarantee commitments, $74,000,000,000.

(E) New secondary loan guarantee commitments, $0.

(8) Transportation (400):

Fiscal year 1989:

(A) New budget authority, $28,400,000,000.

(B) Outlays, $27,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $28,900,000,000.

(B) Outlays, $28,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $29,600,000,000.

(B) Outlays, $30,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(9) Community and Regional Development (450):

Fiscal year 1989:

(A) New budget authority, $7,100,000,000.

(B) Outlays, $6,500,000,000.

(C) New direct loan obligations, $1,000,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $6,900,000,000.

(B) Outlays, $6,800,000,000.

(C) New direct loan obligations, $1,100,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $7,100,000,000.

(B) Outlays, $6,400,000,000.

(C) New direct loan obligations, $1,100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(10) Education, Training, Employment, and Social Services (500):

Fiscal year 1989:

(A) New budget authority, $36,600,000,000.

(B) Outlays, $35,300,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $10,400,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $37,900,000,000.

(B) Outlays, $36,800,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $10,800,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $38,700,000,000.

(B) Outlays, $37,800,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $10,800,000,000.

(E) New secondary loan guarantee commitments, $0.

(11) Health (550):

Fiscal year 1989:

(A) New budget authority, $49,900,000,000.

(B) Outlays, $48,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $400,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $54,400,000,000.

(B) Outlays, $54,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $400,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $59,500,000,000.

(B) Outlays, $58,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $400,000,000.

(E) New secondary loan guarantee commitments, $0.

(12) Medicare (570):

Fiscal year 1989:

(A) New budget authority, $103,700,000,000.

(B) Outlays, $86,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $113,200,000,000.

(B) Outlays, $97,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $124,100,000,000.

(B) Outlays, $108,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(13) Income Security (600):

Fiscal year 1989:

(A) New budget authority, $176,200,000,000.

(B) Outlays, $138,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $181,000,000,000.

(B) Outlays, $145,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $213,000,000,000.

(B) Outlays, $152,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(14) Social Security (650):

Fiscal year 1989:

(A) New budget authority, $5,300,000,000.

(B) Outlays, $5,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $5,400,000,000.

(B) Outlays, $5,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $4,300,000,000.

(B) Outlays, $4,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(15) Veterans Benefits and Services (700):

Fiscal year 1989:

(A) New budget authority, $28,800,000,000.

(B) Outlays, $28,400,000,000.

(C) New direct loan obligations, $900,000,000.

(D) New primary loan guarantee commitments, $19,600,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $30,900,000,000.

(B) Outlays, $29,900,000,000.

(C) New direct loan obligations, $800,000,000.

(D) New primary loan guarantee commitments, $27,500,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $31,400,000,000.

(B) Outlays, $30,500,000,000.

(C) New direct loan obligations, $700,000,000.

(D) New primary loan guarantee commitments, $29,700,000,000.

(E) New secondary loan guarantee commitments, $0.

(16) Administration of Justice (750):

Fiscal year 1989:

(A) New budget authority, $8,900,000,000.

(B) Outlays, $8,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $9,100,000,000.

(B) Outlays, $9,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $10,300,000,000.

(B) Outlays, $10,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(17) General Government (800):

Fiscal year 1989:

(A) New budget authority, $9,500,000,000.

(B) Outlays, $9,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $10,100,000,000.

(B) Outlays, $10,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $10,600,000,000.

(B) Outlays, $10,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(18) Net Interest (900):

Fiscal year 1989:

(A) New budget authority, $161,600,000,000.

(B) Outlays, $161,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $171,700,000,000.

(B) Outlays, $171,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $176,800,000,000.

(B) Outlays, $176,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(19) Allowances (920):

Fiscal year 1989:

(A) New budget authority, $0.

(B) Outlays, $0.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $0.

(B) Outlays, $0.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $0.

(B) Outlays, $0.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(20) Undistributed Offsetting Receipts (950):

Fiscal year 1989:

(A) New budget authority, −$33,000,000,000.

(B) Outlays, −$45,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, −$34,100,000,000.

(B) Outlays, −$46,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, −$35,400,000,000.

(B) Outlays, −$36,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

RECONCILIATION

SEC. 4. (a) Not later than April 29, 1988, the committees named in subsections (b) through (______) of this section shall submit their recommendations to the Committees on the Budget of their respective Houses. After receiving those recommendations, the Committees on the Budget shall report to the House and Senate a reconciliation bill or resolution or both carrying out all such recommendations without any substantive revision.

SENATE COMMITTEES

(b) The Senate Committee on Agriculture, Nutrition, and Forestry shall report changes in laws within its jurisdiction sufficient to increase contributions $1,494,000,000 in fiscal year 1989.

(c) The Senate Committee on Banking, Housing, and Urban Affairs shall report changes in laws within its jurisdiction sufficient to increase contributions $970,000,000 in fiscal year 1989.

(d) The Senate Committee on Labor and Human Resources shall report changes in laws within its jurisdiction sufficient to increase contributions $326,000,000 in fiscal year 1989.

(e) The Senate Committee on Small Business shall report changes in laws within its jurisdiction sufficient to increase contributions $710,000,000 in fiscal year 1989.

HOUSE COMMITTEES

(f) The House Committee on Agriculture shall report changes in laws within its jurisdiction sufficient to increase contributions $1,494,000,000 in fiscal year 1989.

(g) The House Committee on Banking, Finance and Urban Affairs shall report changes in laws within its jurisdiction sufficient to increase contributions $970,000,000 in fiscal year 1989.

(h) The House Committee on Education and Labor shall report changes in laws within its jurisdiction sufficient to increase contributions $326,000,000 in fiscal year 1989.

(i) The House Committee on Small Business shall report changes in laws within its jurisdiction sufficient to increase contributions $710,000,000 in fiscal year 1989.

SALE OF GOVERNMENT ASSETS

SEC. 5. (a) It is the sense of the Congress that—

(1) from time to time the United States Government should sell assets to nongovernment buyers; and

(2) the amounts realized from such asset sales will not recur on an annual basis and do not reduce the demand for credit.

(b) For purposes of allocations and points of order under section 302 of the Congressional Budget and Impoundment Control Act of 1974, the amounts realized from asset sales or prepayments of loans shall not be allocated to the committee and shall not be scored with respect to the level of budget authority or outlays under a committee's allocation under section 302 of such Act.

(c) For purposes of this section—

(1) the term "asset sales" does not include asset sales authorized by law before September 18, 1987, and routine, ongoing asset sales and loan payments at levels consistent with agency operations in fiscal year 1986; and

(2) the term "prepayment of a loan" shall have the same meaning as under section 257(12) of the Balanced Budget and Emergency Deficit Control Act of 1985 (as amended by the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987).

FUNDING FOR THE WELFARE REFORM AND CATASTROPHIC INSURANCE INITIATIVES

SEC. 6. (a)(1) In the Senate, it is assumed that budget authority and outlays for fiscal year 1988 or 1989 (or both) shall be allocated to the Senate Committee on Finance to provide for the welfare reform and medicare catastrophic health insurance initiatives, and the aggregates for fiscal years 1989, 1990, and 1991 in sections 2 and 3 of this resolution shall be adjusted accordingly, when the Committee on Finance, the committee of conference on the welfare reform initiative, or the committee of conference on the catastrophic insurance initiative reports legislation that will, if enacted, make funds available for such initiative and ensure that such legislation will not increase the deficits for fiscal years 1988, 1989, 1990, and 1991.

(2) Upon the reporting of legislation pursuant to paragraph (1), the Chairman of the Committee on the Budget of the Senate may file with the Senate appropriately revised allocations under section 302(a) of the Congressional Budget Act of 1974 and revised functional levels and aggregates to carry out this section. Such revised allocations, functional

levels, and aggregates shall be considered for the purposes of such Act as allocations, functional levels, and aggregates contained in this resolution, and the Committee on Finance shall report revised allocations pursuant to section 302(b) of such Act for the appropriate fiscal year (or years) to carry out this section.

ANTI-DRUG FUNDING

SEC. 7. It is the sense of the Congress that antinarcotics activities, including law enforcement, drug interdiction, drug treatment, and substance abuse education, are vital to the Nation's future and should be among the top funding priorities in the fiscal year 1989 budget. All authorizing and Appropriations Committees and subcommittees are urged to examine programs within their jurisdictions to enhance their participation in the antidrug effort and to give top priority to this effort in allocating their share of the funds available under this budget resolution.

Calendar No. 607

100TH CONGRESS }
2d Session }
SENATE
{ REPORT
{ 100-311

CURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 1989

MARCH 31, 1988.—Ordered to be printed

Mr. CHILES, from the Committee on the Budget, submitted the following

REPORT

together with

ADDITIONAL AND MINORITY VIEWS

[To accompany S. Con. Res. 113]

The Committee on the Budget submits the following report, accompanying the Concurrent Resolution on the Budget establishing the Congessional Budget for the United States Government for the fiscal year 1989, and setting forth the appropriate budgetary levels for the fiscal years 1989, 1990 and 1991, pursuant to the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344) as amended by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177).

Chapter I. HIGHLIGHTS

BUDGET COMMITTEE RECOMMENDATION

[1989; in billions of dollars]

Budget authority	1,231.1
Revenues	964.6
Outlays	1,100.6
Deficit	−136.0
G-R-H deficit target	−136.0

OVERVIEW

The Committee recommendation achieves a deficit of $136 billion in 1989, exactly equal to the GRH target. The deficit—excluding new asset sales and loan prepayments which do not count under GRH—total $141.8 billion. This is $4.2 billion below the GRH sequestration threshold of $146 billion.

REVENUES

The Committee recommendation requires no new revenue increases in 1989 beyond what was already enacted last year as a result of the budget summit agreement.

NATIONAL DEFENSE

Defense spending in the Committee recommendation meets the levels in the summit agreement of $299.5 billion in budget authority and $294 billion in outlays. Defense savings, as measured from the CBO baseline, total $1.4 billion.

INTERNATIONAL PROGRAMS

The Committee recommendation meets the caps in the summit agreement for international programs, producing savings from the CBO baseline of $0.4 billion. Program levels under the cap total $18.1 billion in budget authority and $16.1 billion in outlays.

DOMESTIC DISCRETIONARY

For domestic discretionary spending, the Committee recommendation meets the caps in the summit agreement of $148.1 billion in budget authority and $169.2 billion in outlays. These levels assume funding increases for such high priority programs as education and job training, science, space and technology, drug enforcement, air safety, AIDS and health research, child nutrition and Veterans medical care. Domestic discretionary savings, as measured from the CBO baseline, total $1.1 billion.

ENTITLEMENT AND OTHER MANDATORY PROGRAMS

Entitlement and mandatory program assumptions include $0.5 billion for continuation of nutrition aid when commodity surpluses are depleted. The Committee recommendation assumes enactment of catastrophic health and welfare reform legislation that will be totally funded from other offsets and not require new funding. The Committee recommendation supports enactment of pending Medicaid provisions to broaden coverage for pregnant women and children, to protect families during a period of welfare to work transition, and to protect low-income elderly against spousal impoverishment and Medicare cost-sharing requirements. The Committee assumes these provisions will be deficit neutral.

ASSET SALES AND PREPAYMENTS

Asset sales and prepayments in the Committee's recommendation total $5.8 billion in 1989, including $3.5 billion called for in the summit agreement but not yet achieved, and $2.5 billion already enacted. The amount of unachieved asset sales are reconciled to the appropriate authorizing committees.

Chapter II. BUDGET OVERVIEW

1. OVERVIEW OF THE COMMITTEE RECOMMENDATION

The 1989 budget resolution represents a bi-partisan effort that meets the dual constraints of this budget year. The constraints imposed by last year's budget summit agreement and the revised Gramm-Rudman-Hollings (GRH) law have limited the range of options available to Congress. The bipartisan budget agreement, as enacted in the Reconciliation bill and Continuing Resolution in December 1987, established the spending and revenue parameters for 1989. The amended GRH law set new deficit reduction requirements that will have to be met by the 1989 budget resolution.

The Committee recommendation meets the terms of both the budget summit agreement and the Gramm-Rudman-Hollings law. The Committee's recommended 1989 funding levels for defense and domestic discretionary programs meet the appropriations spending caps. The Committee recommendation includes the remaining asset sales required by the summit agreement. The projected deficit under the Committee recommendation is $136 billion, exactly equal to the GRH target for 1989. Adoption of the Committee's recommended budget resolution would avoid sequestration in 1989.

Table 1

SUMMARY OF THE COMMITTEE RECOMMENDATION

[In billions of dollars]

	1988	1989	1990	1991
Budget authority	1,179.7	1,231.0	1,302.8	1,385.0
Outlays	1,056.4	1,100.6	1,158.1	1,215.7
Revenues	908.9	964.6	1,043.2	1,123.2
Deficit	147.5	136.0	114.8	92.4
Deficit as percent of GNP	3.8	3.4	2.8	2.2

2. IMPLEMENTING THE SUMMIT AGREEMENT

Last year's summit agreement required total deficit savings of $76 billion in 1988 and 1989. The 1988 Reconciliation bill and Continuing Resolution, passed in December, included savings of $34 billion in 1988 exceeding the summit agreement's first year requirement of $30 billion in savings. These savings were achieved through revenue increases, spending cuts, asset sales and debt service reductions.

The budget summit agreement called for an additional $46 billion in deficit reduction in 1989. Most of these deficit savings required were already achieved by the 1988 Reconciliation bill and Continuing Resolution passed in December, 1987. Table 2 identifies the savings included in the summit agreement and whether or not they have been achieved.

Table 2

DEFICIT REDUCTION IN SUMMIT AGREEMENT

[In billions of dollars]

	1988	1989
Enacted:		
Revenues [1]	11.3	17.6
Discretionary spending (defense and non-defense)	7.7	11.7
Entitlements and other [2]	5.9	7.4
Asset sales and loan prepayments	7.7	0.0
Net interest [3]	1.3	3.3
Total enacted savings	33.8	39.8
DEFICIT REDUCTION NOT YET ENACTED:		
Appropriations		2.4
Asset sales		3.5
Debt service		0.2
Subtotal, to be achieved		6.1
TOTAL DEFICIT REDUCTION	33.8	45.9
SUMMIT AGREEMENT	30.2	45.9

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[1] Includes additional revenues from IRS compliance (net); and IRS, BATF, and Customs user fees.

[2] Includes changes in entitlement and other mandatory programs as well as additional user fee provisions.

[3] Includes savings from reduced debt service payments net of 1989 income lost for 1988 loan prepayments.

To meet the terms of the summit agreement, Congress is bound by the appropriations caps for 1989 set last year. Enactment of appropriations within the caps would yield additional deficit savings of $2.4 billion (against the summit agreement baseline). Additional asset sales of $3.5 billion in 1989 are also required by the summit agreement.

APPROPRIATIONS CAPS

The appropriations funding caps apply to Function 050 (National Defense) and all non-defense discretionary programs for both budget authority and outlays. A point of order lies against any

1989 budget resolution that is not consistent with the spending allocations for defense and non-defense. Within the non-defense cap, the budget summit agreement last year also set separate funding caps for Function 150 (International Affairs) which will have to be observed.

These spending limits make it very difficult to add money to domestic discretionary programs in 1989. Compared to the CBO baseline, which allows for increases in funding for domestic programs to keep up with inflation, the budget resolution must cut about $4 billion in budget authority and $1 billion in outlays. Drafting the 1989 budget is clearly a zero-sum game requiring difficult tradeoffs: increases in one program have to be offset by decreases in other programs.

The Committee recommendation adheres to the 1989 appropriations spending caps for both National Defense and non-defense discretionary spending. The funding levels for defense are $299.5 billion in budget authority and $294.0 billion in outlays, yielding savings of $1.4 billion from the 1989 CBO baseline. The funding levels for domestic discretionary programs are $148.1 billion in budget authority and $169.2 billion in outlays, yielding savings of $1.1 billion measured from the CBO baseline. The funding levels for international programs are $18.1 billion in budget authority and $16.1 billion in outlays resulting in savings of $0.4 billion.

Table 3 compares the Committee recommendation to the appropriations caps.

Table 3

APPROPRIATIONS SPENDING CAPS

[In billions of dollars]

		Summit agreement	Committee recommendation
National defense (050)	BA	299.5	299.5
	0	294.0	294.0
International affairs (150)	BA	18.1	18.1
	0	16.1	16.1
Domestic	BA	148.1	148.1
	0	169.2	169.2

The Committee recommendation assumes a 2-percent pay raise in January 1989 for civilian workers with 50 percent absorption and a 4.3-percent increase in January 1989 with 50 percent absorption for military personnel. These pay raise costs are funded within the defense and nondefense discretionary caps.

The Committee recommended that for the purpose of developing allocations within the domestic discretionary spending cap, amounts for five credit programs and the conservation reserve fund would be at the level estimated by CBO when the cap was calculated—that is, $7.9 billion. These six programs include: agricultural credit insurance fund, rural housing insurance fund, rural development insurance fund, Federal Housing Administration fund, Rural Electrification Administration fund, and the conservation reserve program.

The appropriations for these six accounts will be scored at the levels assumed in the budget resolution and crosswalked to the Appropriations Committee. The Appropriations Committee will be held harmless for amounts above the resolution amounts, but will be charged with the full amount if they underfund these programs. The adjustment will apply only to amounts that would otherwise be provided through borrowing authority or, in the case of the conservation reserve program, PIK certificates.

ASSET SALES

The Committee recommendation includes the remaining asset sales required by the summit agreement. Asset sales and prepayments in the Committee recommendation total $5.8 billion in 1989. This total includes $3.5 billion called for in the summit agreement but not yet achieved and $2.3 billion already enacted. The Committee has reconciled $3.5 billion in asset sales to the authorizing committees in whose jurisdiction they fall (see chapter IV, Enforcement Procedures, reconciliation instructions).

3. MEETING THE GRAMM-RUDMAN-HOLLINGS TARGETS

To avoid a sequester under the revised GRH law, the deficit must not exceed $136 billion in 1989 (with an additional $10 billion cushion). A point of order lies against any budget resolution that would result in a deficit of over $136 billion in 1989.[1] This is a very tight requirement for Congress, assuming adherence to the budget summit agreement.

THE PRESIDENT'S BUDGET

The Administration's budget, by its own estimates, met the deficit target for 1989, but only by including $10 billion in asset sales. Although asset sales count as savings in determining the deficit under the proposed budget, they do not count under the rules of the revised GRH law when determining whether a sequester will occur.[2]

Without asset sales, the deficit under the President's budget would be about $140 billion, $4 billion over the GRH target of $136 billion but $6 billion under the deficit level which would trigger a sequester. This leaves little room for slippage in the Administration's economic projections between now and the summer when the Office of Management and Budget (OMB) will issue the initial sequester report.

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[1] A sequester can also be avoided by $36 billion in deficit reduction from the defined budget baseline for 1989.

[2] Like the President, Congress can also use asset sales in the budget resolution to meet the GRH target. However, OMB cannot count them as savings in determining whether or not a sequester will occur.

THE COMMITTEE'S RECOMMENDATION

The budget resolution recommended by the Committee yields a deficit of $136 billion as required by the amended GRH law. The deficit excluding asset sales is $141.8 billion. This is $4.2 billion below the GRH sequestration threshold of $146 billion. Table 4 shows how the Committee recommendation meets the 1989 deficit target. In addition to savings from the appropriation caps and the asset sales, the Committee recommendation includes assumptions regarding revenues and entitlements, described below.

Table 4

MEETING THE 1989 DEFICIT TARGET

[In billions of dollars]

Adjusted GRH baseline deficit [1]	143.2
Deficit reduction policies:	
Discretionary spending caps:	
Defense	−1.4
International affairs	−0.4
Domestic discretionary	−1.1
Subtotal, discretionary savings	−2.9
1989 Asset sales and prepayments:	
1989 sales enacted in 1988	−2.3
1989 loans sales and prepayments	−3.5
Subtotal, asset sales	−5.8
Catastrophic health, medicaid adds, and welfare reform (net of offsets)	0.0
Continuation of nutrition aid	+0.5
Technical offsets	+1.3
Debt service	−0.3
Total deficit reduction	−7.2
Budget resolution deficit	136.0
GRH target deficit	136.0
GRH sequestration deficit [2]	141.8
GRH sequestration threshold	146.0

[1] CBO GRH deficit adjusted to reflect administration's estimating assumptions.

[2] Excludes $5.8 billion in asset sales.

REVENUES

Last year's Reconciliation bill achieved the revenue increases required by the summit agreement. The Committee recommendation requires no new increases in 1989.

ENTITLEMENTS

Last year's summit agreement did not explicitly limit entitlement spending as it did discretionary spending. Because of the restriction of the GRH deficit target in 1989, however, there is little room for increases in entitlement spending. To achieve the $136 billion deficit target, Congress is constrained against adding to entitlement programs in the budget resolution.

The Committee's recommendation includes only a few changes in entitlement programs. They include:

—*Health Care Improvements.* The Committee's recommendation assumes that legislation pending in conference for Medicare catastrophic benefits will be deficit neutral. The Committee also supports enactment of pending Medicaid provisions to broaden coverage for pregnant women and children, to protect families during a period of welfare to work transition, and to protect low-income elderly against spousal impoverishment and Medicare cost-sharing amounts. The mark assumes, however, that such Medicaid legislation, as well as possible changes in recent Medicaid regulatory actions affecting recalculation of the federal match, will be adopted on a deficit neutral basis with the costs offset through program savings or revenue increases.

—*Continue Nutrition Assistance.* The Senate Agriculture Committee is preparing legislation to respond to the imminent depletion of commodities in the Temporary Emergency Food Assistance Program (TEFAP). The Committee's recommendation provides $500 million for this expected continuation of nutrition assistance when the commodities run out. These funds could be used for purchasing cheese and other commodities for distribution to low-income families and individuals. TEFAP serves many low-income people, including the homeless, who are not covered by food stamps. In many cases, the distribution of commodities through TEFAP is the only way to reach this population with food assistance. Some of the funds assumed in the Chairman's mark could increase food stamp benefits and make other improvements in the program.

—*Welfare Reform.* The Committee's recommendation assumes that welfare reform legislation will be enacted in a deficit neutral manner, with new entitlement costs offset through other savings or revenue increases.

ECONOMIC ASSUMPTIONS AND SCOREKEEPING

As required by law, the budget resolution must set forth amounts and levels based on a single set of economic and technical assumptions. In determining the budget deficit under its recommended budget resolution, the Committee chose to use the same economic and technical assumptions as the President used in his budget submission to the Congress as well as those which the House of Representatives used in the budget it adopted.

By choosing to use the Administration's economic assumptions to measure the deficit, the Committee is following the same rules that will be used later this year to determine whether sequestration is required. Under the Gramm-Rudman-Hollings law, the Office of Management and Budget, using its own economic projections, will determine whether the 1989 deficit target has been met. If the deficit target is exceeded by more than $10 billion, across-the-board spending cuts will take place.

As has been its practice over the years, in the exercise of it's scorekeeping duties, the Senate Budget Committee would continue to use CBO estimates and analysis to prepare its reports to the Senate regarding the status of particular bills and amendments. The Committee would determine the aggregate levels of new budget authority, budget outlays, new spending authority, and revenues for a fiscal year on the basis of standard, consistent, defined adjustments to the CBO estimates in a fashion consistent with the adjustments underlying this budget resolution.

4. BUDGET OUTLOOK

By making tough choices this year, Congress can meet the requirements of both the summit agreement and Gramm-Rudman-Hollings law. The outlook beyond 1989, however, is much more bleak. According to the Congressional Budget Office's (CBO) current services projections, the deficit will exceed the GRM target by $70 billion in 1990 and $139 billion in 1993. The Committee's recommendation improves the outlook only slightly. Even under the Administrations optimistic economic projections for the out-years, the gap between the current services deficit and the GRH targets will grow substantially each year. In 1993, when the budget is supposed to be balanced, the Administration forecasts a deficit of $39 billion.

Although OMB and CBO do project some reduction in the annual unified deficit in the out-years, the decline is primarily the result of growing surpluses in the social security trust funds. Under the President's optimistic projections, the federal deficit not counting social security (on-budget deficit) will not fall below $132 billion between now and 1993. CBO projects the on-budget deficit will remain over $200 billion each year through 1993. The next President and Congress will certainly face a grim budgetary situation requiring major adjustments in fiscal policies.

Table 5

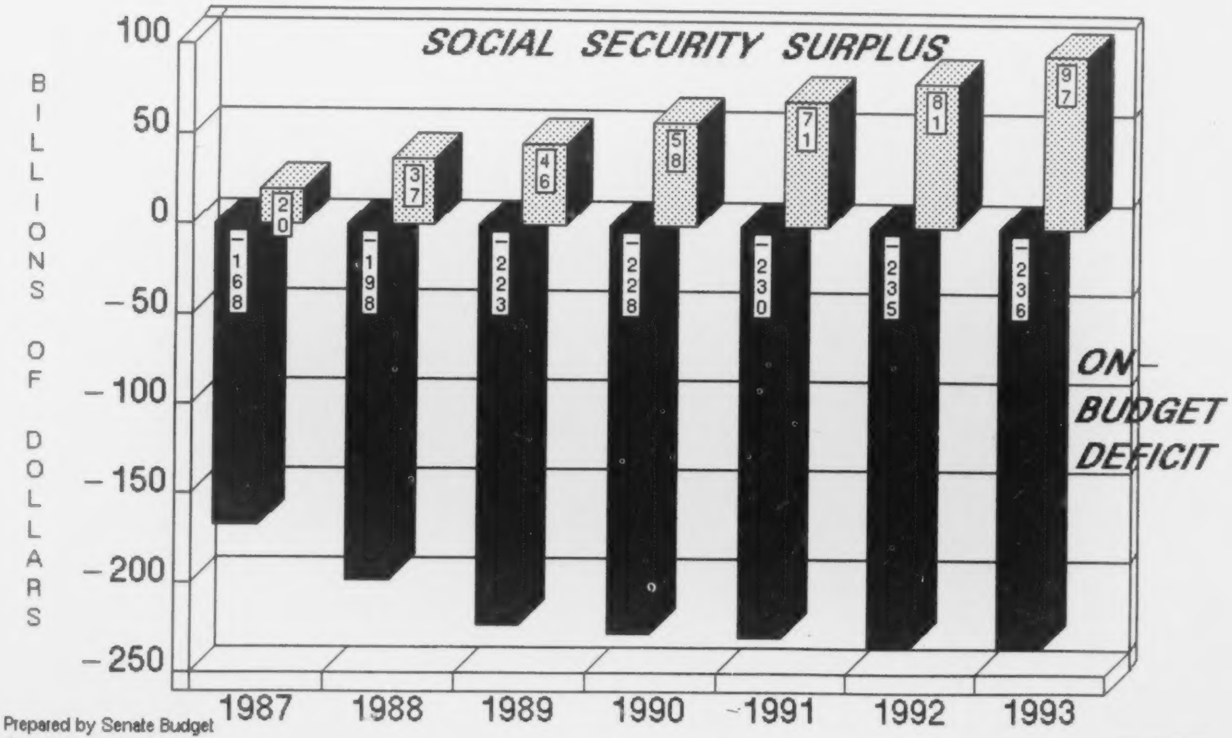
BASELINE DEFICIT PROJECTIONS

With and Without Social Security

[in billions of dollars]

	1988	1989	1990	1991	1992	1993
CBO PROJECTIONS:						
With social security	161	177	170	159	154	139
W/out social security	198	223	228	230	235	236
OMB PROJECTIONS:						
With social security	148	138	111	86	63	39
W/out social security	184	184	169	156	143	132

ON – BUDGET DEFICIT VS. SOCIAL SECURITY SURPLUS



Prepared by Senate Budget
Committee Staff
CBO Estimates.

March 1988

Chapter III. SUMMARY OF COMMITTEE RECOMMENDATIONS

REVENUE RECOMMENDATION

The budget resolution revenue levels are consistent with last year's bipartisan summit agreement between Congress and the administration. No additional tax increases for deficit reduction are proposed. The Committee assumes revenues of $964.6 billion for 1989, $1,043.2 billion for 1990 and $1,123.2 billion for 1991.

The Committee recognizes that several tax matters are currently pending before the taxwriting committees, including expiring provisions, technical corrections and miscellaneous tax matters. The Committee expects that proposed legislation will be drafted by the taxwriting committees in a deficit neutral manner, and therefore makes no accommodation for those actions in its revenue targets.

The Committee plan further does not accommodate revenue losses from pending trade legislation. The Committee assumes that the Omnibus Trade and Competitiveness Act (H.R. 3) and the Administration's proposed Canadian-United States Free Trade legislation, will be drafted in a way that does not lower revenue levels assumed in the resolution.

Recommended revenue levels reflect administration economic and technical assumptions as they pertain to revenues under current law.

COMMITTEE REVENUE RECOMMENDATION

[In billions of dollars]

	1988	1989	19990	1991
CBO Baseline	898.5	954.2	1,036.4	1,111.4
Revenue adjustments:				
OMB economic assumptions		8.0	8.3	10.7
OMB technical assumptions		2.4	1.4	1.1
Committee recommendation		964.6	1,043.2	1,123.2

REVENUES BY SOURCE 1989–1991

[In billions of dollars]

	1988	1989	1990	1991
Individual income tax	393.4	413.2	450.3	492.1
Corporate income tax	106.0	118.8	130.9	142.5
Social insurance tax	331.5	353.0	380.5	407.9
Excise taxes	35.4	35.3	34.9	32.7
Estate and gift tax	7.6	7.8	8.0	8.2
Customs duties	15.7	16.7	17.8	18.7
Miscellaneous taxes	19.4	19.8	20.7	21.2
Total	908.9	964.6	1,043.2	1,123.3

TAX EXPENDITURES

Tax Expenditures Defined

Tax expenditures are defined in the Congressional Budget Act as ". . . those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption or deduction from gross income or which allow a special exclusion, exemption or deduction from gross income or which provide a special credit, a preferential rate of tax or a deferral or tax liability."

In many respects, tax expenditures are analogous to direct spending programs that have no spending limits, and that are available as entitlement to individuals and corporations who meet the criteria established for the programs. The term tax expenditure comes from the assumption that the objectives of many of these preferential tax provisions might be equally accomplished by expenditure programs.

With respect to estimating additional revenues from the termination or limitation of tax expenditure provisions, it should be noted that because of interaction among provisions, the revenue effect of altering more than one of these preference items would not necessarily equal the sum of each individual item.

Tax Expenditure Estimates

The scaling back of tax preferences and reductions in marginal rates reduced significantly, revenue losses associated with a wide variety of tax preference in prior law. Notwithstanding the changes accomplished in the 1986 Act, many tax preferences remain. Tax expenditures are estimated to grow from $292.7 billion in 1989 to $388.7 billion in 1993.

SPENDING RECOMMENDATIONS BY FUNCTION

Function 050: NATIONAL DEFENSE

SUMMARY

Function 050 covers the military and civilian operations of the Department of Defense and includes the military applications of atomic energy and civil defense programs, the stock-piling of strategic materials and the Selective Service System. The function also includes the research, development, and investment programs necessary to continue the modernization of the armed forces and pay allowances for 2 million military and 1 million civilian personnel.

Function 050 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Committee recommendation	BA	291.4	299.5	312.3	325.0
	O	287.5	294.0	304.2	316.0

COMMITTEE RECOMMENDATION

Discussion

The Committee's recommendation for 1989 defense spending conforms to the Leadership agreement and proposes $299.5 billion in budget authority, nearly a 3-percent nominal increase above the 1988 level. The increment exceeds the 2 percent limit in the cap because the 1988 enacted level of budget authority is roughly $600 million below the Leadership agreement due to outlay constraints.

The Committee recommendation for 1989 assumes that within the Defense cap, 4.3-percent pay raise for military personnel and a 2-percent pay raise for Department of Defense civilian personnel, effective January 1989, can be provided.

The Committee recommendation provides national defense with a nominal increase that exceeds 4 percent for both 1990 and 1991. This growth rate will allow funding for the Department of Defense to keep pace with inflation during this period.

The Committee recommendation for national defense provides sufficient funding to permit the Defense Advanced Research Projects Agency (DARPA) to conduct research on a broad array of technologies that are crucial to this country. Particularly noteworthy in this regard are the gallium arsenide technology program, the design and manufacturing technology program, and the high temperature superconductor program.

These programs, like many other efforts carried out by DARPA, have applications not only for weapons systems developed by the Department of Defense (DOD), but also a wide variety of commercial products as well. U.S. security will continue to rest heavily on this nation's ability to maintain technological superiority over our adversaries. The Committee believes that funding research of the type described above is extremely important if this is to be accomplished.

The Committee supports the broad export to the private sector of non-sensitive capabilities and technologies developed by the Department of Defense or firms under contract to the DOD. In an era of constrained resources, such export will maximize the return received for those budgetary resources allocated for defense.

Much opportunity exists for the exporting of Department of Defense-developed education and training technology such as simulators and other training devices, a fact that the DOD acknowledged in their recent publication "Defense and the Community." The Committee concurs with the DOD conclusion in this report that investing in education and training programs is one of the most valuable investments we can make.

Function 150: INTERNATIONAL AFFAIRS

SUMMARY

Function 150 covers the international affairs programs for the United States, including foreign economic and security assistance, U.S. contributions to international organizations, the P.L. 480 Food for Peace Program, contributions to the missions abroad, international broadcast and exchange activities, and the Export-Import Bank.

Function 150 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Discretionary programs (excluding past losses)	BA	17.8	18.1	19.4	19.0
	O	15.0	16.1	16.3	16.3
Appropriations for past losses	BA				
	O				
Mandatory programs	BA	−1.5	−1.5	−1.6	−1.7
	O	−6.1	+0.1	−0.2	−0.5
Committee recommendation	BA	16.3	16.6	17.7	17.2
	O	9.0	16.2	16.0	15.8

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation increases fiscal year 1989 discretionary program funding levels to conform with the summit agreement of $18.1 billion in budget authority and $16.1 billion in outlays. This will allow modest growth for programs in this function.

The Committee assumes that funding levels for this function will allow for continuation of current levels of assistance to countries covered by the Camp David accord.

Outyear estimates are projected from 1989 levels using current services economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes that funding for mandatory programs in this function will be set at baseline levels.

Function 150 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Committee recommendation	DL	5.6	5.9	6.0	6.1
	LG	15.0	9.5	9.9	10.3

Function 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

SUMMARY

Function 250 covers NASA's space activities, as well as the basic science and general research programs of the National Science Foundation. It also includes the Department of Energy's high energy and nuclear physics programs.

Function 250 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Discretionary programs (excluding past losses)	BA	10.7	13.4	13.9	14.5
	0	10.9	13.0	13.9	14.4
Appropriations for past losses	BA				
	0				
Manadatory programs	BA	+(*)	+(*)	+(*)	+(*)
	0	+(*)	+(*)	+(*)	+(*)
Committee recommendation	BA	10.7	13.4	14.0	14.5
	0	10.9	13.0	13.9	14.4

*Less than $50 million.

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee assumes that NASA space programs be increased by 27 percent ($2.2 billion) over the 1988 budget authority of $8.2 billion. Ongoing space programs are assumed to be increased by 22 percent, while new initiatives comprise the remainder of the increase.

The Committee assumes that the National Science Foundation programs be increased by 11 percent over the 1988 budget authority of $1.7 billion.

The Committee assumes that the Department of Energy's high energy and nuclear physics programs be increased by 25 percent over the 1988 budget authority of $0.8 billion to support ongoing programs and the development of the Superconducting Super Collider.

Outyear estimates are projected from 1989 levels using current services economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes no policy changes in entitlements and other mandatory programs in this function.

Other recommendations

Science and technology programs are widely recognized as being key to the nation's response to the challenge of economic competitiveness, as well as other major national priorities, such as health, environment, national defense, and quality of life.

Funding for these programs is spread across more than thirty independent federal agencies, making it difficult to develop a coordinated national research and development budget. Annual analyses performed by the Office of Management and Budget and the National Science Foundation merely compile agency proposals and are retrospective in nature. They generally are not used in the Executive branch decision-making process.

The Committee held hearings this year on science and technology. Much of the discussion centered on the problems and lost opportunities associated with the lack of coordination and the need for a better way to examine funding and organizational priorities in the federal effort in science and technology.

In light of these hearings and other findings, the Committee believes that the nation needs to develop a comprehensive set of mission categories to examine the allocation of resources to science and technology and identify gaps in funding. Any such approach should include substantial involvement from the scientific community in establishing priorities within the federal effort in research and development.

To undertake this effort, the Committee believes that the National Academy of Sciences, acting jointly with the National Academy of Engineering and the Institute of Medicine, should provide advice on developing an appropriate institutional framework and information base for conducting cross-program development and review of the nation's research and development programs. This should be structured in such a way that it can be used by both the Executive branch and Congress as a method for reviewing program contents and strategies and in determining funding and organizational priorities for science and technology. The Academies' advice should be provided to the appropriate Committees of Congress not later than November 15, 1988.

Function 270: ENERGY

SUMMARY

Function 270 covers the civilian energy programs. This includes energy supply, research and development and regulatory programs of the Department of Energy, credit programs of the Rural Electrification Administration, and the energy activities of the Tennessee Valley Authority and the Nuclear Regulatory Commission.

FUNCTION 270 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Discretionary programs (excluding past losses)	BA	5.8	5.9	6.2	6.4
	O	6.2	5.9	6.3	6.4
Appropriations for past losses	BA	0.3	+(*)	0.4	0.4
	O	0.3	+(*)	0.4	0.4
Manadatory programs	BA	−0.4	−1.0	−1.2	−1.6
	O	−3.6	−1.8	−2.4	−3.1
Committee recommendation	BA	5.7	4.9	5.4	5.2
	O	2.9	4.2	4.3	3.7

* Less than $50 million.

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation assumes nuclear waste activities will be funded at a level consistent with the recent restructuring of the nuclear waste program—including the selection of a single nuclear waste repository site. The Clean Coal program includes a $525 million advance appropriation provided in the 1988 Continuing Resolution.

The Committee recommendation assumes increases for energy conservation programs and reductions for some research and development programs. Increases in the Clean Coal program more than offset these reductions.

The Committee assumes that the Strategic Petroleum Reserve will be funded so as to maintain a 50,000 barrel per day fill rates, based on Congressional Budget Office projections of oil prices.

Other programs in this function are assumed to be funded at levels approximately 5 percent below 1988 levels.

Outyear estimates are projected from 1989 levels using current services economic and technical assumptions.

Discretionary credit programs

The Committee recommendation assumes the same funding levels for Rural Electrification Administration loan programs as was assumed for the 1989 discretionary caps. Outyear estimates for these programs are at baseline levels.

Mandatory spending

The Committee recommendation assumes no policy changes from baseline levels in entitlements and other mandatory programs in this function.

Other recommendations

The Committee recommendations accommodates funding for a petroleum and coal geosciences initiative. Current oil production technologies have recovered only one-third of the oil in the ground, leaving more than 300 million barrels of unrecovered oil. Existing coal research and development efforts are largely devoted to incremental improvements of known systems. The study of basic coal sciences has been insufficient. This initiative would provide funding for the Geoscience Institute for Oil and Gas to develop enhanced oil recovery technologies and a National Laboratory Coal Science Consortium.

The Committee also recognizes the importance of energy efficiency research in reducing the nation's dependence on foreign oil and enhancing the United States' competitive trade position. The recommendation accommodates an increase in budget authority to expand the federal government's research activity in this area.

Function 270 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Committee recommendation	DL	2.0	2.0	2.1	2.2
	LG	2.0	+(*)	+(*)	0.1

* Less than $50 million.

Function 300: NATURAL RESOURCES AND ENVIRONMENT

SUMMARY

Function 300 covers the natural resources and environment programs including a variety of Federal agencies, concerned with the development and management of the Nation's water, mineral, timber, and other resources; management of national parks, forests, refuges, and other public lands; and protection of the environment.

Function 300 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Discretionary programs (excluding conservation reserve).	BA	16.1	15.9	16.6	17.3
	O	16.2	16.3	16.9	17.2
Conservation reserve	BA	1.1	0.6	0.6	0.6
	O	0.7	0.6	0.6	0.6
Mandatory programs	BA	−1.9	−1.9	−1.9	−2.0
	O	−1.9	−1.9	−2.0	−2.0
Committee recommendation	BA	15.3	14.6	15.2	15.9
	O	15.0	14.9	15.5	15.8

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee assumes inceases above 1988 levels in Superfund, the Leaking Underground Storage Tank program and the Environmental Protection Agency operating budget. In addition, the Committee assumes an increase in the land acquisition program of over 15 percent. These increases are needed to support a vigorous hazardous waste cleanup program, implement increased environmental statutory responsibilities and provide needed funding for land acquisition purchase.

The Committee assumes minor reductions in water resource and forest service activities. The Committee also assumes savings in all other programs in this function of 1 to 3.5 percent.

Outyear estimates are projected from 1989 levels using current services economic and technical assumptions.

Mandatory programs

The Committee recommendation assumes no policy changes in baseline levels in mandatory programs in this function.

Function 300 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Committee recommendation	DL	+(*)	0.1	0.1	0.1
	LG				

Function 350: AGRICULTURE

SUMMARY

Function 350 covers agriculture programs, including the commodity price support program, crop insurance, Farmers Home Administration agricultural loans, agricultural research, extension service, animal and plant health protection, and agricultural economic data collection and dissemination programs.

Function 350 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Discretionary programs (excluding past losses)	BA	2.3	2.2	2.3	2.4
	O	2.3	2.3	2.3	2.4
Appropriations for past losses	BA	3.6	3.4	4.4	3.8
	O				
Mandatory programs	BA	17.5	21.5	18.5	16.1
	O	19.6	20.9	19.5	17.5
Committee recommendation	BA	23.4	27.0	25.2	22.2
	O	21.9	23.2	21.9	19.9

COMMITTEE RECOMMENDATION

Discretionary spending

The majority of Function 350 agriculture accounts are comprised of entitlement and mandatory programs which are not subject to the discretionary spending caps provided in the summit agreement. The Committee recommends reducing discretionary programs in this function by 6.5 percent from 1988 levels.

Outyear estimates are projected from 1989 levels using current services economic and technical assumptions.

Discretionary credit programs

The Committee recommendation assumes the same funding level for the agricultural credit insurance fund as was assumed for the 1989 discretionary caps. Outyear estimates for this program are at baseline levels.

Mandatory spending

The Committee recommendation assumes no policy changes in baseline levels in entitlements and other mandatory programs in this function.

Function 350 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Committee recommendation	DL	17.1	15.6	14.2	13.6
	LG	7.8	6.7	6.8	6.9

Function 370: COMMERCE AND HOUSING CREDIT

SUMMARY

Function 370 covers commerce and housing credit programs, including Farmers Home Administration (FmHA) rural housing programs, elderly and handicapped housing, Federal Housing Administration (FHA) mortgage insurance programs, the Small Business Administration, Federal Savings and Loan Insurance Corporation (FSLIC), and other programs involving advancement and promotion of commerce.

Function 370 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Discretionary programs (excluding past losses)	BA	2.9	2.6	3.4	3.3
	O	2.9	2.7	3.5	2.5
Appropriations for past losses	BA	3.3	3.2	3.0	2.9
	O	0.2	0.2	0.2	0.31
Mandatory programs	BA	10.0	7.6	8.6	2.8
	O	7.6	6.2	4.3	0.9
Committee recommendations	BA	16.2	13.5	15.1	9.0
	O	10.6	9.1	8.1	3.6

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee assumes that Periodic Census funding be increased by 64 percent over the 1988 budget authority to support the decennial census. This programmatic increase would provide for activities in preparation for the 1990 decennial census.

The Committee assumnes that Postal subsidies will be maintained at the current program level.

The Committee assumes that Rural housing is reduced by 3 percent from 1988 enacted levels.

Other programs in this function, including small business and elderly housing, are assumed to be reduced by less than 9 percent.

Outyear estimates are projected from 1989 levels using current services economic and technical assumptions.

Discretionary credit programs

The Committee recommendation assumes a freeze in loan guarantee levels for the Federal Housing Administration and Government National Mortgage Association mortgage-backed securities. Outyear estimates for these programs are at baseline levels.

Mandatory spending

The Committee recommendation assumes no policy changes from the baseline levels in entitlements and other mandatory programs in this function.

Function 370 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Committee recommendation	DL	2.8	2.7	2.7	2.8
	LG	72.5	63.7	67.2	74.0

Function 400: TRANSPORTATION

SUMMARY

Function 400 covers transportation programs, including Federal-aid highways, mass transit programs, Amtrak, the FAA and its associated activities, airport development, the Coast Guard, and Maritime Administration (MARAD).

Function 400 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Discretionary programs (excluding past losses)	BA	11.1	11.4	11.9	12.4
	0	27.1	27.8	28.8	29.9
Appropriations for past losses	BA				
	0				
Mandatory programs	BA	17.0	17.0	17.0	17.2
	0	0.1	+(*)	0.1	0.1
Committee recommendation	BA	28.0	28.4	28.9	29.6
	0	27.3	27.9	28.9	30.0

* Less than $50 million.

COMMITTEE RECOMMENDATION

Discretionary spending

Aviation Safety programs are assumed to increase by 19 percent over the 1988 budget authority of $5.5 billion. This increase would allow continued improvement of the air transport system through increased hiring of 900 air traffic controllers (for a 1989 total of 16,800), continued modernization of the control system, and additional airport improvements. This level would exceed the President's request by more than 5 percent or $0.3 billion.

The Committee assumes that the Coast Guard funding level match the President's request for operating costs associated with drug interdiction for fortification, search and rescue, and law enforcement activities. The Committee recommends that funding for Coast Guard acquisition, construction, and improvements (ACI) increase 24 percent over the 1988 enacted level. This overall funding level would be augmented by a transfer of $120 million from the Department of Defense.

Mass transit discretionary grants and federal aid highway programs are assumed to be maintained at 1988 program levels. In addition, the Committee recommends that mass transit formula operating assistance be increased by 6 percent to $0.9 billion. The Committee recommendation assumes that Amtrak would be frozen at the 1988 level. All other programs are assumed to be reduced by 10-16 percent from the 1988 enacted level.

Outyear estimates are projected from 1989 levels using current services economic and technical assumptions.

The Committee is concerned that the development of the nation's airport infrastructure has not kept pace with the increased demand resulting from the deregulation of the aviation industry. Since 1973, the number of aircraft enplanements has increased more than 52 percent. However, the nation's airport capacity has not expanded accordingly, resulting in record numbers of flight delays and raising serious concerns regarding aviation safety.

The Administration's budget included $1.2 billion for the funding of the Airport and Airway Improvement Program. The Committee believes this is insufficient to meet critical aviation needs of the nation. Consequently, the Committee provides an additional $3.0 billion over the Administration's request of $1.2 billion. the Committee intends that this amount be used to strengthen the nation's overall airport and airway improvement program. In addition, the Committee urges that serious consideration be given to using half of the overall increase for critical capacity expansion projects with national significance, such as the new airport in Denver, Colorado.

Mandatory spending

The Committee recommendation assumes no policy changes from the baseline levels in entitlements and other mandatory programs in this function.

Function 400 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Committee recommendation	DL	0.1	+(*)	+(*)	+(*)
	LG				

*Less than $50 million.

Function 450: COMMUNITY AND REGIONAL DEVELOPMENT

SUMMARY

Function 450 covers the community and regional development programs, including the Community Development Block Grant (CDBG), Urban Development Action Grant (UDAG), Appalachian Regional Commission (ARC), Economic Development Administration (EDA), Rural Development Insurance Fund programs, the Rural Telephone Bank, and Small Business Administration (SBA) disaster loans.

Function 450 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Discretionary programs (excluding past losses)	BA	5.4	5.0	5.2	5.4
	O	5.8	5.7	5.4	5.1
Appropriations for past losses	BA	0.8	0.7	1.3	1.4
	O				
Mandatory programs	BA	3.2	1.4	0.4	0.2
	O	0.4	0.8	1.5	1.2
Committee recommendation	BA	9.5	7.1	6.9	7.1
	O	6.1	6.5	6.8	6.4

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation reduces Function 450 by less than 6 percent. This can be accomplished by either preserving CDBG at close to current levels or by reducing all programs in this function across the board.

Outyear estimates are projected from 1989 levels using current services economic and technical assumptions.

Discretionary credit programs

The Committee assumes that Farmers Home Rural Development loans, Section 108 Community Development Guarantees, and Section 312 Rehabilitation loans be reduced by less than 6 percent. Outyear estimates for these programs are at baseline levels.

Mandatory spending

The Committee recommendation assumes no policy changes from the baseline levels in entitlements and other mandatory programs in this function.

Function 450 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Committee recommendation	DL	1.0	1.0	1.1	1.1
	LG	0.3	0.3	0.3	

Function 500: EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES

SUMMARY

Function 500 programs promote the general extension of knowledge and skills, and assist individuals to become selfsupporting members of society. These include: educational programs at all levels; employment and training; and grants to States to provide social and rehabilitative services to children, families, the elderly, and other needy persons.

Function 500 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Discretionary programs (excluding past losses)	BA	25.2	26.7	27.8	28.9
	O	24.8	26.5	27.8	29.0
Appropriations for past losses	BA				
	O				
Mandatory programs	BA	9.5	9.9	10.5	9.8
	O	7.9	7.9	9.0	8.8
Committee recommendation	BA	34.7	36.6	37.9	38.7
	O	32.7	35.3	36.8	37.8

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommends $26.7 billion in budget authority and $26.5 billion in outlays for discretionary programs in this function.

The Committee assumes a budget authority increase of $1.2 billion over a 1988 freeze to support high priority education programs such as Chapter 1, Student Financial Assistance, Drug-Free Schools, Indian education, Education of the Handicapped Act programs, and Vocational and Adult education.

The Committee is cognizant of spending child care legislation under consideration by appropriate committees of authorization. Should such legislation be approved, the Committee may be required to consider adjustments to spending in fiscal year 1990 and beyond.

The Committee assumes that funding levels for high priority programs such as Community Services Block Grant, Child Welfare Services and Older Americans Act programs may be maintained at or above current services.

Outyear estimates are projected from 1989 levels using current services economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes no policy changes in entitlement and other mandatory programs in this function.

Function 500 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Committee recommendation	DL	0.1	0.1	0.1	0.1
	LG	10.0	10.4	10.8	10.8

Function 550: HEALTH

Function 550 covers health programs other than Medicare and Veterans programs, including Medicaid, State grants for health services and prevention, biomedical research, Indian health, Federal retiree health benefits, health education and training, and consumer and occupational health and safety.

Function 550 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Discretionary programs (excluding past losses)	BA	13.0	13.6	14.1	14.7
	0	11,9	13,2	13.8	14.4
Appropriations for past losses	BA	....	....	....	....
	0	....	....	....	....
Mandatory programs	BA	32.4	36.3	40.3	44.8
	0	32.4	35.8	40.4	44.3
Committee recommendation	BA	45.3	49.9	54.4	59.5
	0	44.2	48.9	54.2	58.7

COMMITTEE RECOMMENDATION

Discretionary spending

The budget resolution provides $13.6 billion in budget authority and $13.2 billion in outlays for discretionary programs in this function. This is an increase of 4.6 percent in budget authority over the 1988 budget authority of $13 billion. The Committee assumes that this mark will allow increases for AIDS research and education, NIH biomedical research, and drug abuse treatment. Also assumed are inflation increases for several high priority low-income programs, including maternal and child health and community health centers, health care for the homeless, migrant and Indian health services, and childhood immunizations.

Outyear estimates are projected from 1989 levels using current services economic and technical assumptions.

Mandatory spending

The Committee assumes enactment of pending legislation to broaden Medicaid coverage for pregnant women and children, to protect families during a period of welfare to work transition, and to protect low-income elderly against spousal impoverishment and Medicare cost-sharing amounts. The Committee assumes that such Medicaid legislation, as well as possible changes in recent Medicaid regulatory actions affecting recalculation of the federal match, will be adopted by the authorizing committee on a deficit neutral basis with the costs offset through spending savings or revenue increases.

Function 550 CREDIT PROJECTIONS

[In billion of dollars]

		1988	1989	1990	1991
Committee recommendation	DL	+(*)	+(*)	+(*)	(*)
	LG	0.4	0.4	0.4	0.4

*Less than $50 million.

Function 570: MEDICARE

SUMMARY

Function 570 covers Medicare, including Part A hospital insurance, Part B supplemental medical insurance, and premiums paid by aged and disabled beneficiaries.

Function 570 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Discretionary programs (excluding past losses)	BA	0.0	0.0	0.0	0.0
	0	1.8	2.1	2.2	2.3
Appropriations for past losses	BA				
	0				
Mandatory programs	BA	94.8	103.7	113.2	124.1
	0	78.2	84.7	95.3	106.2
Committee recommendation	BA	94.8	103.7	113.2	124.1
	0	80.0	86.9	97.5	108.5

COMMITTEE RECOMMENDATION

Discretionary spending

The budget resolution provides $2.1 billion in outlays for discretionary Medicare administrative expenses. This is an increase of 16.7 percent over the 1988 estimated outlays of $1.8 billion. The increase will support increased claims processing demands on Medicare contractors and enhanced program audit and claims review activities.

Outyear estimates are projected from 1989 levels using current services economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes no policy changes in entitlements and other mandatory programs in this function. The resolution does not include additional Medicare reductions or extension of the payroll tax to all state and local employees in 1989, as requested in the President's budget.

Catastrophic Insurance

The budget resolution assumes that the pending Medicare catastrophic insurance legislation will be enacted on a deficit neutral basis. The resolution provides authority for adjustment of authorizing committee 302 allocations to accurately reflect technical changes in Medicare outlays and budget authority, as necessary, to allow Senate consideration of a deficit neutral conference report.

Function 600: INCOME SECURITY

SUMMARY

Function 600 provides income support to individuals whose need arises from retirement, disability, unemployment, death, or low income.

Function 600 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Discretionary programs (excluding past losses)	BA	13.7	14.1	14.9	41.1
	O	18.9	21.0	22.7	24.2
Appropriations for past losses	BA				
	O				
Mandatory programs	BA	157.6	162.1	166.1	171.9
	O	111.2	117.3	122.6	128.2
Committee recommendation	BA	171.3	176.2	181.0	213.0
	O	130.1	138.3	145.3	152.4

COMMITTEE RECOMMENDATION

Discretionary spending

The Women Infants and Children Supplemental Feeding program is assumed to be increased by $150 million over the 1988 level. This would allow an additional 150,000 participants to be served on an annual basis.

The Emergency Food Distribution and Shelter program (for the homeless and hungry) is assumed to be increased by 10 percent over the 1988 enacted level.

Refugee Assistance is assumed to be increased to allow for 31-month cash and medical assistance.

Key homeless housing programs are assumed to be maintained at 1988 program levels. This would set 1989 budget authority at $0.2 billion.

Public Housing Operating Subsidies are assumed to be funded at a 1989 budget authority level of $1.6 billion which provides approximately full funding under the current formula.

Low-Income Energy Assistance is assumed to be funded at the 1989 current services level.

Mandatory spending

The Senate Agriculture Committee is preparing legislation to respond to the imminent depletion of commodities in the Temporary Emergency Food Assistance Program (TEFAP). The Committee's recommendation provides $500 million for this expected continuation of nutrition assistance when the commodities run out. These funds could be used for purchasing cheese and other commodities for distribution to low-income families and individuals. TEFAP serves many low-income people, including the homeless, who are not covered by food stamps. In many cases, the distribution of commodities through TEFAP is the only way to reach this population with food assistance. Some of the funds assumed in the Committee's recommendation could increase food stamp benefits and make other improvements in the program.

Function 600 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Committee recommendation	DL	+(*)	+(*)	+(*)	+(*)
	LG				

*Less than $50 million.

Function 650: SOCIAL SECURITY

SUMMARY

Function 650 provides income support to individuals when need arises from the retirement, disability, or death of a wage earner insured under the Social Security Program.

Function 650 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Discretionary programs (excluding past losses)	BA	0.0	0.0	0.0	0.0
	0	2.1	2.2	2.2	2.3
Appropriations for past losses	BA				
	0				
Mandatory programs	BA	256.0	278.1	306.3	332.8
	0	217.0	231.3	246.8	261.2
Committee recommendation	BA	256.0	278.1	306.3	332.8
	0	219.1	233.5	249.0	263.5

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee's recommendation provides $50 million more funding than the President's request for administrative costs for the Social Security program. Total outlays are increased by $50 million over the 1988 level.

The Committee's recommendation assumes that the line-item for Information and Technology Systems will be reduced below the President's request while funds for personnel will be increased. This will allow for partial restoration of the staffing positions that the Administration is seeking to eliminate.

Mandatory spending

The Committee recommendation assumes no policy changes from baseline levels in entitlements and other mandatory programs in this function.

Function 700: VETERANS BENEFITS AND SERVICES

SUMMARY

Function 700 includes veterans compensation and pension payments, health services programs for veterans, housing loan guarantees, medical facility construction, education and training, and several other veterans benefit programs.

Function 700 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Discretionary programs (excluding past losses)	BA	11.8	12.1	12.6	13.2
	0	11.7	12.1	12.6	13.1
Appropriations for past losses	BA				
	0				
Mandatory programs	BA	17.9	16.7	18.3	18.2
	0	16.9	16.2	17.3	17.4
Committee recommendation	BA	29.7	28.8	30.9	31.4
	0	28.5	28.4	29.9	30.5

COMMITTEE RECOMMENDATION

Discretionary spending

The resolution assumes $12.1 billion in budget authority and $12.1 billion in outlays for discretionary appropriated veterans programs. This will support an increase for veterans medical care of 3.2 percent over the 1988 enacted level, $0.1 billion above the President's request.

Outyear estimates are projected from 1989 levels using current services economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes no policy changes in entitlements and other mandatory programs in this function. The recommendation assumes cost of living increases for Veterans Disability Compensation and Pension payments.

Function 700 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Committee recommendation	DL	1.1	0.9	0.8	0.7
	LG	23.2	19.6	27.5	29.7

Function 750: ADMINISTRATION OF JUSTICE

Summary

Function 750 includes funds for Federal law enforcement activities, judicial and litigative programs, the Federal Prison System, criminal justice assistance to States and localities and legal services for the poor.

Function 750 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Discretionary programs (excluding past losses)	BA	8.7	9.3	9.7	10.1
	O	8.4	9.3	9.6	10.0
Appropriations for past losses	BA				
	O				
Mandatory programs	BA	−0.3	−0.4	−0.6	+0.2
	O	−0.3	−0.4	−0.5	+0.2
Committee recommendation	BA	8.4	8.9	9.1	10.3
	O	8.1	8.9	9.1	10.2

Committee Recommendation

Discretionary spending

The Committee recommendation provides increases for major law enforcement programs—including the FBI, the Drug Enforcement Administration and the Immigration and Naturalization Service. These increases will provide significant resources over 1988 levels to continue the war on drugs. The Customs Service is funded at baseline levels—a slight increase above the President's proposal.

The Committee assumes that federal prison funding be increased significantly for both construction of buildings and operations and maintenance. The Committee recommendation provides funding for the Legal Services Corporation and Justice Assistance Grants at last year's level. Other programs in this function are also maintained near last year's levels.

Outyear estimates are projected from 1989 levels using current services economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes no policy changes from baseline levels in entitlements and other mandatory programs in this function.

Other recommendations

The Committee recommendation includes Sense of the Congress language regarding Federal anti-narcotics activities that urges committees to examine programs within their jurisdictions to enhance their participation in the anti-drug effort and to give top priority to this effort in allocating their share of the funds available under this Budget Resolution.

Function 800: GENERAL GOVERNMENT

SUMMARY

Function 800 includes funds for the legislative and executive branches of Government, the Treasury Department, the Internal Revenue Service, the General Services Administration and various treaty obligations of the United States. Beginning in 1989, Function 800 will also include accounts formerly found in Function 850. Function 850 included funds for the Federal payment to the District of Columbia, and for those land management activities that generate receipts to be shared with States and localities.

Function 800 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Discretionary programs (excluding past losses)	BA	8.4	8.3	8.9	9.3
	O	8.3	8.4	8.8	9.1
Appropriations for past losses	BA				
	O				
Mandatory programs	BA	+0.9	+1.2	+1.3	+1.3
	O	+0.9	+1.0	+1.4	+1.1
Committee recommendation	BA	9.3	9.5	10.1	10.6
	O	9.2	9.4	10.2	10.2

COMMITTEE RECOMMENDATION

Discretionary spending

The Committee recommendation provides for a continuation of the Internal Revenue Service enforcement initiative begun last year as part of the budget summit agreement. Other programs in this function are maintained near last year's levels.

Outyear estimates are projected from 1989 levels using current services economic and technical assumptions.

Mandatory spending

The Committee recommendation assumes no policy changes from baseline levels in entitlements and other mandatory programs in this function.

Function 900: NET INTEREST

SUMMARY

Function 900 includes three major activities: (1) interest payments on the public debt, including interest on securities sold to the public and to trust funds; (2) other interest payments and collections of the Federal Government; and (3) a deduction of the amount of interest received by both on-budget and social security trust funds.

Function 900 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Committee recommendation	BA	150.0	151.9	158.5	160.1
	O	150.0	151.9	158.5	160.1

COMMITTEE RECOMMENDATION

The Committee assumes that the deficit reduction policies of the budget resolution would achieve savings of $0.3 billion in interest paid on the national debt.

Function 920: ALLOWANCES

SUMMARY

Function 920 includes allowances for pay raises for employees of Federal agencies (except for those employed by the Department of Defense) and for U.S. Coast Guard military personnel. This function also includes government-wide management savings proposals and Federal work force reforms.

Function 920 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Discretionary program (excluding past losses)	BA				
	O				
Appropriations for past losses	BA				
	O				
Mandatory programs	BA				
	O				
Committee recommendation	BA				
	O				

COMMITTEE RECOMMENDATION

A pay raise of 2 percent in January, 1989 is assumed for federal civilian workers. The costs of the pay raise appear in the accounts throughout all the other functions.

Function 950: UNDISTRIBUTED OFFSETTING RECEIPTS

SUMMARY

Function 950 covers the miscellaneous receipts programs, including rents and royalties on the Outer Continental Shelf (OCS), the employer share of Federal employee's retirement, including military retirement, and receipts from the sale of Federal physical assets. The numbers are negative because they represent receipts to the Government or, for the employer share of employee retirement, entries to eliminate double counting in the budget.

Function 950 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Committee recommendation	BA	−36.2	−37.6	−39.3	−41.2
	O	−36.2	−49.9	−52.0	−41.8

COMMITTEE RECOMMENDATION

The Committee recommendation for this function assumes contributions of $3.5 billion for loan sales and prepayments.

EXPLANATION OF RECONCILIATION DECISIONS

Set forth below are the assumptions that support the reconciliation instructions adopted by the Committee. These instructions are intended to assist in the implementation of the Committee recommendation, described above.

Function 950 RECONCILIATION

[Contributions in billions of dollars]

Committee/asset sale	1989	1990	1991
AGRICULTURE:			
REA loan sales and prepayments	−1.494		
BANKING:			
FHA fund loan sales	−0.100		
FmHA—RHIF loan sales	−0.870		
LABOR AND HUMAN RESOURCES:			
College Housing and Higher Education Fac. loan sales	−0.230		
HHS—HMO loan prepayments	−0.020		
HHS—Medical facilities loan sales	−0.076		
SMALL BUSINESS:			
SBA loan sales	−0.710		
Total reconciliation instructions, function 950	−3.500		

CREDIT BUDGET

Budget authority and outlay totals in the budget provide an incomplete picture of Federal credit activity. They measure loan programs on a net cash flow basis—that is, outlays minus receipts. They do not measure the full volume of new credit extended for direct loans and exclude loan guarantee commitments.

The credit budget offers an alternative way of measuring loan program activity. It records the total dollar amount of direct loan obligations and loan guarantee commitments, without offsets for repayments. It covers all Government credit programs, including those previously defined as off-budget.

The resolution includes aggregates and functional allocations for three types of Federal credit transactions: direct loans, primary loan guarantees, and secondary loan guarantees.

A direct loan (DL) is a disbursement of funds to a non-Federal entity under an agreement that the amount will be repaid, with or without interest. Direct loan obligations are recorded in the credit budget when the Government becomes legally bound to extend credit assistance. They result on outlays when funds are disbursed to borrowers.

A primary loan guarantee (LG) is a pledge to pay part or all of the amount due to a lender in the event of default by a borrower. Loan guarantee commitments are recorded in the credit budget when the Government becomes legally bound to extend credit assistance. They result in outlays only if borrowers default.

A secondary loan guarantee (SLG) is a commitment to guarantee a loan that has already been insured by the Federal Government, such as the guarantee of securities backed by federally insured mortgages. Secondary loan guarantees do not increase the contingent liability of the Government.

CREDIT BUDGET BASELINE

Each year, the Congressional Budget Office estimates a credit budget baseline, showing the level of Federal credit activity that would result if current policies remained in place.

CBO baseline budget projections show total direct loan obligations declining, steadily, from $29.9 billion in 1988 to $27.3 billion in 1991. Guaranteed lending is projected to fall sharply between 1988 and 1989, from $131.3 billion to $111.3 billion, before rising to $132.5 billion in 1991. The one year drop is primarily due to technical assumptions respecting demand for FHA and VA guaranteed lending.

COMMITTEE RECOMMENDATION

Credit levels

The Committee recommendation for the credit budget assumes $28.1 billion in direct loan obligations, $110.6 billion in primary loan guarantee commitments. The table below summarizes the totals assumed in the resolution by function. The Committee's credit recommendations are consistent with policy assumptions for spending programs.

MISCELLANEOUS PROVISIONS IN THE RESOLUTION

Asset Sales and Loan Prepayments.—The resolution includes a provision similar to those on asset sales and loan prepayments in the fiscal year 1988 resolution that would prevent the use for spending in fiscal year 1989 of the proceeds from asset sales and loan prepayments. This provision is consistent with section 251(a)(6)(I) of the Balanced Budget and Emergency Deficit Control Act of 1985 (as amended), which prohibits the counting of asset sales and loan prepayments for the purposes of determining whether that Act calls for across-the-board cuts.

Welfare Reform and Medicare Catastrophic Insurance Initiatives.—The resolution includes a provision similar to that in the fiscal year 1988 resolution that would allow for deficit-neutral legislation on those initiatives. Although the Budget Committee did not write provisions that govern the House of Representatives so as to accommodate the House's desire to write its own rules, the committee fully expects that provisions governing the House will be added to this section in conference.

Anti-Drug Funding.—The resolution states the sense of the Congress that anti-narcotics activities (including law enforcement, drug interdiction, drug treatment, and substance abuse education) are vital to the nation's future and should be among the top funding priorities in the 1989 budget.

CREDIT SUMMARY TABLE 1989–91

[In billions of dollars]

		1989	1990	1991
150: International Affairs	DL [1]	5.9	6.0	6.1
	LG [2]	9.5	9.9	10.3
270: Energy	DL	2.0	2.1	2.2
	LG	(*)	(*)	0.1
300: Natural Resources and Environment	DL	0.1	0.1	0.1
	LG	0.0	0.0	0.0
350: Agriculture	DL	15.6	14.2	13.6
	LG	6.7	6.8	6.9
370: Commerce and Housing Credit	DL	2.7	2.7	2.8
	LG	63.7	67.2	74.0
400: Transportation	DL	(*)	(*)	(*)
	LG	0.0	0.0	0.0
450: Community and Regional Development	DL	1.0	1.1	1.1
	LG	0.3	0.3	0.0
500: Education, Training Employment, and Social Services	DL	0.1	0.1	0.1
	LG	10.4	10.8	10.8
550: Health	DL	(*)	(*)	(*)
	LG	0.4	0.4	0.4
600: Income Security	DL	(*)	(*)	(*)
	LG	0.0	0.0	0.0
700: Veterans Benefits and Services	DL	0.9	0.8	0.7
	LG	19.6	27.5	29.7
TOTAL	DL	28.3	27.1	26.7
	LG	110.6	122.9	132.2

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[1] Direct loans (DL)

[2] Loan guarantees (LG).

* Less than $50 million.

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1989–1993

[Billions of dollars]

Function	Corporations					Individuals					Total 1989–93
	1989	1990	1991	1992	1993	1989	1990	1991	1992	1993	
National defense											
Exclusion of benefits and allowances to Armed Forces personnel						1.7	1.8	1.8	1.9	2.0	9.1
Exclusion of military disability pensions						0.1	0.1	0.1	0.1	0.1	0.6
International affairs											
Exclusion of income earned abroad by U.S. citizens						1.3	1.4	1.5	1.6	1.7	7.5
Exclusion of certain allowances for Federal employees abroad						0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of income of foreign sales corporations (FSCs)	0.6	0.7	0.7	0.8	1.0						3.8
Deferral of income of controlled foreign corporations	0.1	0.1	0.1	0.1	0.1						0.5
Inventory property sales source rule exception	2.3	2.6	2.9	3.3	3.7						14.8
Interest allocation rules exception for certain nonfinancial institutions	0.1	0.1	0.1	0.1	0.1						0.4
General science, space, and technology											
Expensing of research and development expenditures	1.1	1.2	1.4	1.5	1.7	(1)	(1)	(1)	(1)	0.1	7.0
Credit for increasing research activities	0.6	0.1	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.7
Energy											
Expensing of exploration and development costs:											
Oil and gas	−0.7	−0.5	−0.3	(1)	0.3	0.4	0.5	0.5	0.6	0.6	1.5
Other fuels	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Excess of percentage over cost depletion:											
Oil and gas	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.4	0.4	2.0
Other fuels	0.2	0.2	0.2	0.3	0.3	(1)	(1)	(1)	(1)	(1)	1.3
Exception from passive loss limitation for working interests in oil and gas properties						0.3	0.3	0.4	0.4	0.5	1.8
Alternative fuel production credit	(1)	(1)	(1)	(1)	(1)						0.1
Alcohol fuel credit [3]	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1

Exclusion of interest on State and local government industrial development bonds for energy production facilities	(2)	(2)	(2)	(2)	(2)	0.2	0.2	0.2	0.2	0.2	0.8
Expensing of tertiary injectants	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Natural resources and environment											
Expensing of exploration and development costs, nonfuel minerals	(1)	(1)	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.3
Excess of percentage over cost depletion, nonfuel minerals	0.2	0.2	0.3	0.3	0.3	(1)	(1)	(1)	(1)	(1)	1.4
Investment credit and 7-year amortization for reforestation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Expensing multiperiod timber growing costs	0.3	0.3	0.3	0.4	0.4	(1)	(1)	(1)	(1)	(1)	1.8
Exclusion of interest on State and local government sewage, water, and hazardous waste facilities bonds	−0.3	−0.3	−0.4	−0.4	−0.4	1.4	1.6	1.6	1.7	1.8	6.5
Investment tax credit and passive loss exception for rehabilitation of historic structures	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.9
Special rules for mining reclamation reserves	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Agriculture											
Expensing of certain capital outlays including cash accounting	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	0.1	0.1	0.6
Expensing certain multiperiod production costs	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Deductibility of patronage dividends and certain other items of cooperatives	0.3	0.3	0.3	0.3	0.3	−0.1	−0.1	−0.1	−0.1	−0.1	1.2
Exclusion of cost-sharing payments						(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of cancellation of indebtedness income of farmers						(1)	(1)	(1)	(1)	(1)	0.1
Commerce and Housing											
Financial institutions:											
Bad debt reserves of financial institutions	0.2	0.2	0.2	0.2	0.2						1.0
Merger rules for thrift institutions	0.2	0.2	0.1	0.1	(1)						0.6
Exemption of credit union income	0.4	0.4	0.5	0.5	0.5						2.3
Insurance companies:											
Exclusion of investment income from structured settlement amounts	(1)	(1)	(1)	(1)	(1)						0.1
Exclusion of investment income on life insurance and annuity contracts	0.3	0.4	0.4	0.4	0.5	5.2	5.8	6.3	7.0	7.6	34.0
Small life insurance company taxable income adjustment	0.1	0.1	0.1	0.1	0.1						0.5

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1989-1993—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1989-93
	1989	1990	1991	1992	1993	1989	1990	1991	1992	1993	
Deduction of unpaid loss reserves for property and casualty insurance companies	2.4	2.0	2.0	1.6	1.4						9.4
Treatment of life insurance company reserves	0.5	0.6	0.7	0.7	0.7						3.2
Special alternative tax on small property and casualty insurance companies	(1)	(1)	(1)	(1)	(1)						0.1
Tax exemption for certain insurance companies	(1)	(1)	(1)	(1)	(1)						0.1
Special deduction for Blue Cross and Blue Shield companies	(1)	0.1	0.1	(1)	(1)						0.2
Housing:											
Deductibility of interest on debt secured by personal residences						30.8	35.0	35.8	38.1	40.6	180.3
Deductibility of property tax on owner-occupied homes						8.0	8.4	8.9	9.4	9.9	44.7
Deferral of capital gains on sales of principal residences						9.8	10.6	11.6	12.6	13.7	58.3
Exclusion of capital gains on sales of principal residences for persons age 55 and over						3.3	3.5	3.9	4.2	4.9	19.8
Exclusion of interest on State and local government bonds for owner-occupied housing	0.3	0.3	0.3	0.3	0.3	1.4	1.3	1.3	1.2	1.1	7.8
Depreciation of rental housing in excess of alternative depreciation system	0.2	0.3	0.3	0.3	0.4	0.8	0.9	0.9	1.0	1.0	6.0
Credit and passive loss exception for low-income housing	0.1	0.1	0.1	0.1	0.1	0.3	0.5	0.6	0.6	0.6	3.2
Exclusion of interest on State and local government bonds for rental housing	0.2	0.2	0.2	0.2	0.2	0.7	0.7	0.7	0.7	0.7	4.6
Other business and commerce:											
Depreciation on buildings other than rental housing in excess of alternative depreciation system	4.6	4.8	4.9	5.0	5.1	1.7	1.8	2.0	2.1	2.1	34.1

Depreciation on equipment in excess of alternative depreciation system	10.3	11.2	12.5	14.2	16.0	3.4	3.8	4.0	4.3	4.8	84.7
Investment credit other than rehabilitation of structures, reforestation, and energy property	3.2	2.7	1.5	0.8	0.2	0.6	0.2	0.1	0.1	(1)	9.2
Expensing up to $10,000 depreciable business property	0.7	0.6	0.2	0.2	0.1	0.3	0.2	0.1	0.1	0.1	2.4
Exclusion of capital gains at death	....	....	....	....	....	(1)	4.8	5.1	5.4	5.8	21.1
Amortization of business startup costs	(1)	(1)	(1)	(1)	(1)	0.2	0.1	0.1	0.1	0.1	0.8
Reduced rates on first $75,000 of corporate taxable income	5.0	5.2	5.5	5.7	6.0	....	....	....	....	....	27.4
Deduction of personal interest	....	....	....	....	....	5.7	3.2	0.9	....	....	9.8
Permanent exemption from imputed interest rules	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.2	0.2	0.2	1.0
Expensing of magazine circulation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Special rules for magazine, paperback, and record returns	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Deferral of gain on non-dealer installment sales	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.8
Completed contract rules	−2.8	−1.7	−0.4	0.1	0.2	−0.1	−0.1	(2)	(2)	(1)	−4.8
Cash accounting, other than agriculture	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Exclusion of interest on State and local government small-issue bonds	−0.2	−0.1	−0.1	−0.1	−0.1	2.3	2.3	2.2	2.2	2.2	10.6
Exception from passive loss rules for $25,000 of rental losses	....	....	....	....	....	2.7	3.5	3.8	3.8	3.7	17.6
Exception from net operating loss limitations for corporations in bankruptcy proceedings	0.2	0.2	0.2	0.2	0.2	....	....	....	....	....	0.9
Like-kind exchanges	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	2.5
Transportation											
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5
Exclusion of interest on State and local government bonds for mass transit commuting vehicles and facilities	(2)	(2)	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	0.1
Community and regional development											
Investment credit and passive loss exception for rehabilitation of structures, other than historic structures	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.8
Exclusion of interest on State and local government bonds for private airports and docks	−0.1	−0.1	−0.1	−0.1	−0.2	0.6	0.6	0.7	0.8	0.9	2.8

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1989-1993—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1989-93
	1989	1990	1991	1992	1993	1989	1990	1991	1992	1993	
Education, training, employment, and social services											
Education and training:											
Exclusion of scholarship and fellowship income	....	....	....	....	....	0.4	0.4	0.5	0.5	0.6	2.5
Parental personal exemption for students age 19 or over	....	....	....	....	....	0.3	0.3	0.3	0.4	0.4	1.7
Exclusion of interest on State and local government student loan bonds	0.1	(1)	(1)	(1)	(1)	0.2	0.3	0.3	0.3	0.3	1.6
Exclusion of interest on State and local government bonds for private educational facilities	(1)	(1)	(1)	(1)	(1)	0.4	0.4	0.4	0.5	0.5	2.2
Deductibility of charitable contributions for education	0.4	0.4	0.5	0.6	0.6	1.2	1.3	1.3	1.4	1.4	9.2
Employment:											
Targeted jobs credit	0.2	0.1	0.1	(1)	(1)	(1)	(1)	(1)	....	....	0.5
Exclusion of employee meals and lodging (other than military)	....	....	....	....	....	0.8	0.9	0.9	1.0	1.0	4.5
Employee stock ownership plans (ESOPs) [4]	0.3	0.3	0.3	0.3	0.3	....	....	....	....	....	1.6
Exclusion for benefits provided under cafeteria plans	....	....	....	....	....	1.1	1.8	2.7	3.5	4.2	13.3
Exclusion of rental allowances for minister's home	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	0.9
Exclusion of miscellaneous fringe benefits	....	....	....	....	....	3.7	4.1	4.4	4.7	5.1	22.0
Exclusion of income earned by benefit organizations:											
Supplemental unemployment benefits trusts	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.2
Voluntary employees' beneficiary associations	....	....	....	....	....	0.4	0.5	0.5	0.5	0.6	2.5
Exclusion of employee awards	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5

Social services:											
Deductibility of charitable contributions, other than for education and health	0.4	0.5	0.5	0.6	0.6	9.5	9.8	10.1	10.4	10.7	53.1
Credit for child and dependent care expenses						4.0	4.1	4.3	4.5	4.6	21.5
Exclusion for employer-provided child care						0.2	0.3	0.5	0.7	0.9	2.6
Exclusion for certain foster care payments						(1)	(1)	(1)	(1)	(1)	0.1
Expensing costs of removing architectural barriers	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Health											
Exclusion of contributions by employers and self-employed for medical insurance premiums and medical care						27.6	32.3	37.7	41.0	45.8	184.4
Deductibility of medical expenses						2.5	2.7	2.9	3.2	3.4	14.7
Exclusion of interest on State and local government bonds for hospital facilities	(1)	(1)	0.1	0.1	0.1	2.1	2.3	2.5	2.8	3.0	12.9
Deductibility of charitable contributions for health	0.2	0.2	0.2	0.2	0.2	1.2	1.2	1.3	1.3	1.4	7.5
Tax credit for orphan drug research	(1)	(1)	(1)								0.1
Medicare											
Exclusion of untaxed medicare benefits:											
Hospital insurance						4.3	4.7	5.2	5.7	6.3	26.2
Supplementary medical insurance						2.2	2.5	2.8	3.1	3.5	14.1
Income security											
Exclusion of untaxed railroad retirement system benefits						0.4	0.4	0.4	0.4	0.3	1.8
Exclusion of workers' compensation benefits						2.9	3.2	3.6	4.0	4.4	18.0
Exclusion of special benefits for disabled coal miners						0.2	0.2	0.2	0.2	0.2	0.9
Exclusion of cash public assistance benefits						0.3	0.3	0.3	0.4	0.4	1.7
Net exclusion of pension contributions and earnings						45.6	48.2	51.1	54.5	57.2	256.1
Individual retirement plans						8.0	8.5	9.0	9.7	10.6	45.8
Keogh plans						2.2	2.3	2.5	2.7	3.0	12.9
Exclusion of employer-paid premiums on group term life insurance						1.7	1.8	1.9	2.0	2.1	9.4
Exclusion for employer-provided death benefits						(1)	(1)	(1)	(1)	(1)	0.1
Premiums on accident and disability insurance						0.1	0.1	0.1	0.1	0.1	0.5
Additional standard deduction for the blind and the elderly						1.1	1.2	1.3	1.4	1.5	6.5
Tax credit for the elderly and disabled						0.2	0.2	0.2	0.2	0.2	1.0
Deduction of casualty and theft losses						0.2	0.2	0.2	0.1	0.1	0.8
Earned income credit [5]						1.2	1.4	1.5	1.7	1.8	7.6

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1989-1993—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1989-93
	1989	1990	1991	1992	1993	1989	1990	1991	1992	1993	
Social security											
Exclusion of untaxed social security benefits:											
Disability insurance benefits	....	....	....	....	....	1.4	1.4	1.5	1.6	1.7	7.6
OASI benefits for retired workers	....	....	....	....	....	12.6	13.4	14.3	15.1	16.1	71.5
Benefits for dependents and survivors	....	....	....	....	....	4.0	4.3	4.5	4.8	5.1	22.7
Veterans benefits and services											
Exclusion of veterans' disability compensation	....	....	....	....	....	1.3	1.3	1.4	1.4	1.4	6.7
Exclusion of veterans' pensions	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of GI bill benefits	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.3
Exclusion of interest on State and local government veterans' housing bonds	0.1	0.1	([1])	([1])	([1])	0.2	0.2	0.2	0.2	0.2	1.1
General purpose fiscal assistance											
Exclusion of interest on general purpose State and local government debt	1.5	1.4	1.3	1.3	1.3	7.8	8.7	9.6	10.6	11.3	54.7
Deduction of nonbusiness State and local government income and personal property taxes	....	....	....	....	....	16.5	17.4	18.4	19.4	20.4	92.1
Exclusion and tax credit for corporations with possesions source income	2.6	2.9	3.2	3.4	3.6	....	....	....	....	....	15.7
Interest											
Deferral of interest on savings bonds	....	....	....	....	....	0.9	0.9	0.9	0.9	1.0	4.5

Footnotes to Table 1:

[1] Positive tax expenditure of less than $50 million.

[2] Negative tax expenditure of less than $50 million.

[3] In addition, the 6-cents-per-gallon exemption from excise tax for alcohol fuels results in a reduction in excise tax receipts, net of income tax effect, of $0.3 billion per year from 1989 through 1993.

[4] Includes effects of dividend deduction, nonrecognition of gain of stock sales, and exclusion of interest on ESOP loans.

[5] The figures in the table show the effect of the earned income credit on receipts. The increases in outlays are: $5.0 billion in 1989, $5.4 billion in 1990, $5.9 billion in 1991, $6.5 billion in 1992, and $7.1 billion in 1993.

ADDENDUM TO TABLE 1.—SUM OF TAX EXPENDITURE ITEMS BY TYPE OF TAXPAYER, FISCAL YEARS 1989–1993

[Billions of dollars]

Fiscal year	Corporations	Individuals	Total
1989	37.3	255.4	292.7
1990	39.5	279.9	319.4
1991	42.0	298.3	340.3
1992	44.7	318.8	363.5
1993	47.4	341.3	388.7

Note: These totals represent the mathematical sum of the estimated fiscal year effect of each of the tax expenditure items included in Table 1. The limitations on the use of the totals is explained in the text.

Table 2.—Distribution by Income Class of All Returns, Taxable Returns, Itemized Returns, and Tax Liability, at 1989 Law and 1989 Law and 1989 Income Levels [1]

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	All returns [3]	Taxable returns	Itemized returns		Tax liability
			Total	Taxable	
Below $10	22,338	4,540	529	183	−121
$10 to $20	29,562	19,052	2,545	1,875	18,030
$20 to $30	20,418	17,691	4,660	4,153	34,983
$30 to $40	15,323	14,637	5,986	5,815	45,217
$40 to $50	9,577	9,434	5,271	5,147	42,598
$50 to $75	10,509	10,404	7,860	7,756	86,053
$75 to $100	2,606	2,597	2,218	2,190	37,258
$100 to $200	2,041	2,030	1,892	1,874	55,281
$200 and over	704	698	663	659	92,540
Total	**113,078**	**81,083**	**31,624**	**29,652**	**411,840**

[1] Tax law as in effect on January 1, 1989, is applied to the 1989 level and sources of income and their distribution among taxpayers. Excludes individuals who are dependents of other taxpayers.

[2] The income concept used to place tax returns into income classes is adjusted gross income plus (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) inside build-up on life insurance, (4) workers' compensation, (5) nontaxable social security benefits, (6) deductible contributions to individual retirement accounts, (7) the minimum tax preferences, and (8) net losses, in excess of minimum tax preferences, from passive business activities.

[3] Includes filing and nonfiling units. Filing units include all taxable and nontaxable returns. Nonfiling units include individuals with income that is exempt from Federal income taxation (*e.g.*, transfer payments, interest from tax-exempt bonds, etc.).

Note: Detail may not add to total due to rounding.

Table 3.—Distribution of Selected Individual Tax Expenditure Items By Income Class, at 1989 Rates and 1989 Income Levels [1]

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	Medical deduction		Real estate tax deduction	
	Returns	Amount	Returns	Amount
Below $10	71	17	76	5
$10 to $20	767	170	1,501	125
$20 to $30	1,264	344	3,513	407
$30 to $40	1,323	421	5,514	740
$40 to $50	795	407	4,925	932
$50 to $75	651	432	7,510	2,592
$75 to $100	155	240	2,246	1,169
$100 to $200	82	338	1,817	1,469
$200 and over	17	172	629	789
Total	5,125	2,541	27,731	8,228

Footnotes at end of table.

Table 3.—Distribution of Selected Individual Tax Expenditure Items by Income Class, at 1989 Rates and 1989 Income Levels [1]—Continued

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	State and local income tax deduction		Charitable contributions deduction		Casualty loss deduction	
	Returns	Amounts	Returns	Amount	Returns	Amount
Below $10	99	3	55	1	3	1
$10 to $20	1,640	132	1,426	72	75	33
$20 to $30	3,755	541	3,774	332	63	40
$30 to $40	5,339	1,089	5,398	642	58	44
$40 to $50	4,745	1,442	5,005	959	7	5
$50 to $75	7,017	4,247	7,602	2,445	20	42
$75 to $100	2,058	2,353	2,162	1,157	13	20
$100 to $200	1,681	3,479	1,834	2,155	4	8
$200 and over	550	3,979	642	3,641	1	14
Total	**26,885**	**17,265**	**27,898**	**11,404**	**243**	**207**

Footnotes at end of table.

Table 3.—Distribution of Selected Individual Tax Expenditure Items by Income Class at 1989 Rates and 1989 Income Levels [1]—Continued

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	Child care credit		Earned income credit [3]	
	Returns	Amount	Returns	Amount
Below $10	257	50	2,870	2,077
$10 to $20	2,484	1,185	7,697	4,065
$20 to $30	2,088	941	1,314	456
$30 to $40	1,966	813	177	75
$40 to $50	1,480	583	43	22
$50 to $75	1,318	583	7	5
$75 to $100	186	76	0	0
$100 to $200	126	58	0	0
$200 and over	22	14	0	0
Total	**9,927**	**4,303**	**12,109**	**6,700**

Footnotes to Table 3:

[1] Excludes individuals who are dependents of other taxpayers.

[2] The income concept used to place tax returns into income classes is adjusted gross income plus (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) inside build-up on life insurance, (4) workers' compensation, (5) nontaxable social security benefits, (6) deductible contributions to individual retirement accounts, (7) the minimum tax preferences, and (8) net losses, in excess of minimum tax preferences, from passive business activities.

[3] Includes the refundable portion of the earned income credit.

Note: Detail may not add to total due to rounding.

Chapter IV. ENFORCEMENT PROCEDURES

Reconciliation Instructions

Section 310(a) of the Budget Act provides for inclusion of reconciliation instructions in budget resolutions. In these instructions, Congress may direct committees to report out legislation by a certain date to reduce the deficit. Reconciliation instructions have been included in budget resolutions every year since 1981 except 1985.

The resolution for 1989 includes instructions that direct committees of Congress take actions that would result in contributions of $3.5 billion in 1989. The committee believes that these reconciliation instructions are needed to ensure compliance with the provisions of the budget summit agreement as specified in last year's reconciliation bill calling for asset sales in 1989 in that amount.

The instructions contained in this resolution direct Senate and House committees to transmit their recommendations by April 29, 1989. Under section 310(b), multi-committee reconciliation legislation is reported to the Budget Committees. The Budget Committees package the legislation without substantive revision.

Points of order that the Senate can waive only with the vote of 60 Senators prohibit floor amendments to the reconciliation bill that:

—Would increase the deficit (except that motions to strike are always in order);
—Are not germane;
—Are extraneous to the reconciliation instructions; or
—Change the old-age, survivors, and disability insurance program under title II of the Social Security Act.

Spending and Credit Allocations

COMMITTEE ALLOCATIONS

Section 302(a)(2) of the Budget Act requires that the statement of the management accompanying the conference report on the Budget Resolution allocate, based upon the Budget Resolution, the appropriate levels of total budget outlays, total new budget authority, and new credit authority among the congressional committees that have jurisdiction over legislation providing such authority. Section 301(e)(9) requires the Budget Committee's report accompanying the Budget Resolution to include those same allocations.

The method for allocating the Budget Resolution totals this year parallels last year's. All permanent appropriations of budget au-

RECONCILIATION IN COMMITTEE RECOMMENDATION BY SENATE COMMITTEE

[Contributions in billions of dollars]

Committee/program	1989	1990	1991
AGRICULTURE:			
REA loan sales and prepayments	−1.494		
BANKING:			
FHA fund loans sales	−0.100		
FFmHA—RHIF loan sales	−0.870		
LABOR AND HUMAN RESOURCES:			
College housing and higher education facilities loan sales	−0.230		
HHS—HMO loan prepayments	−0.020		
HHS—Medical facilities loan sales	−0.076		
SMALL BUSINESS:			
SBA loan sales	−0.710		
Total reconcillation instructions	−3.500		

thority or outlays are allocated to the committee that wrote the permanent law. All "current" appropriations—amounts to be provided by this year's appropriation bills—are allocated to the Appropriations Committee. Credit and entitlement authority are also allocated to committees. All amounts associated with an existing entitlements law are allocated to the authorizing committee that wrote the law. This is the case whether the entitlement is funded by permanent or current appropriations.

Section 302(b) Subdivisions by Committees

Section 302(b) of the Act provides that following adoption of the Budget Resolution conference report, each committee shall subdivide its section 302(a) allocation. The Appropriations Committee subdivides its amounts among its 13 subcommittees and further subdivides the amounts with respect to each subcommittee between controllable amounts and all other amounts.

Every other committee to which an allocation is made also subdivides the allocation among its subcommittees or among programs over which it has jurisdiction, and further subdivides the amount with respect to each subcommittee or program between controllable amounts and all other amounts.

Scorekeeping and Enforcement

These subdivisions become the official scorekeeping targets that the Senate uses in measuring spending bills. For this reason, section 302(c) requires that each committee files its 302(b) subdivisions before it may bring spending or credit legislation to the floor. Once the committees have filed, section 302(f) prohibits consideration of any measure that, if enacted, would breach a committee's 302(b) allocation.

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT FOR 1989

[In millions of dollars]

Committees	Direct spending jurisdiction		Entitlements funded in annual appropriations	
	Budget authority	Outlays	Budget authority	Outlays
Appropriations	609,700	623,675		
Agriculture, Nutrition and Forestry	24,892	23,285	4,781	4,851
Armed Services	46,700	31,027		8
Banking, Housing, and Urban Affairs	8,134	6,279		
Commerce, Science, and Transportation	2,145	201	382	381
Energy and Natural Resources	1,333	931	33	33
Environment and Public Works	15,156	1,335		
Finance	680,654	605,003	61,891	62,205
Foreign Relations	7,810	8,674		
Governmental Affairs	64,440	40,939		
Judiciary	1,350	1,283	109	109
Labor and Human Resources	3,476	2,826	5,087	5,082
Rules and Administrations	48	15		
Small Business	0	0		
Veterans' Affairs	1,632	1,360	15,525	15,494
Select Indian Affairs	398	392		
Not allocated to committees	(236,869)	−246,625		
Total	1,230,999	1,100,600	87,808	88,163

SENATE COMMITTEE CREDIT AUTHORITY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT FOR 1989

[In millions of dollars]

Committees	Diect loans	Loan guarantees
Appropriations	13,387	75,891
Agriculture, Nutrition and Forestry	14,424	3,992
Armed Services		
Banking, Housing, and Urban Affairs	79	329
Commerce, Science, and Transportation	5	
Energy and Natural Resources		
Environment and Public Works	249	
Finances	2	
Foreign Relations		
Governmental Affairs		
Judiciary		
Labor and Human Resources		10,760
Rules and Administrations		
Small Business		
Veterans' Affairs	1	19,600
Select Indian Affairs		
Not allocated to committees		
Total	28,147	110,572

Chapter V: SUMMARY TABLES

COMMITTEE RECOMMENDATION BY FUNCTION

[In billions of dollars]

Function		1989	1990	1991
050: National defense	BA	299.5	312.3	325.0
	O	294.0	304.2	316.0
150: International affairs	BA	16.6	17.7	17.2
	O	16.2	16.0	15.8
250: General science space, and technology	BA	13.4	14.0	14.5
	O	13.0	13.9	14.4
270: Energy	BA	4.9	5.4	5.2
	O	4.2	4.3	3.7
300: Natural resources and environment	BA	14.6	15.2	15.9
	O	14.9	15.5	15.8
350: Agriculture	BA	27.0	25.2	22.2
	O	23.2	21.9	19.9
370: Commerce and housing credit	BA	13.5	15.1	9.0
	O	9.1	8.1	3.6
400: Transportation	BA	28.4	28.9	29.6
	O	27.9	28.9	30.0
450: Community and regional development	BA	7.1	6.9	7.1
	O	6.5	6.8	6.4
500: Education, training employment, and social services	BA	36.6	37.9	38.7
	O	35.3	36.8	37.8
550: Health	BA	49.9	54.4	59.5
	O	48.9	54.2	58.7
570: Medicare	BA	103.7	113.2	124.1
	O	86.9	97.5	108.5

COMMITTEE RECOMMENDATION BY FUNCTION—Continued

[In billions of dollars]

Function		1989	1990	1991
600: Income security	BA	176.2	181.0	213.0
	O	138.3	145.3	152.4
650: Social security	BA	278.1	306.3	332.8
	O	233.5	249.0	263.5
700: Veterans benefits and services	BA	28.8	30.9	31.4
	O	28.4	29.9	30.5
750: Administration of justice	BA	8.9	9.1	10.3
	O	8.9	9.1	10.2
800: General government	BA	9.5	10.1	10.6
	O	9.4	10.2	10.2
900: Net interest	BA	151.9	158.5	160.1
	O	151.9	158.5	160.1
920: Allowances	BA	0.0	0.0	0.0
	O	0.0	0.0	0.0
950: Undistributed offsetting receipts	BA	−37.6	−39.3	−41.2
	O	−49.9	−52.0	−41.8
Total spending	BA	1,231.0	1,302.8	1,385.0
	O	1,100.6	1,158.1	1,215.7
Revenues		964.6	1,043.2	1,123.2
Deficit		−136.0	−114.9	−92.5
Public debt		2,825.4	3,065.3	3,289.5

THE PRESIDENT'S 1989 BUDGET REQUEST

[In billions of dollars]

		1989	1990	1991
050: National defense	BA	299.6	316.4	333.7
	O	294.0	306.2	320.2
150: International affairs	BA	16.2	17.5	16.8
	O	13.3	13.0	16.2
250: General science space, and technology	BA	13.9	16.2	16.8
	O	13.3	15.2	17.0
270: Energy	BA	4.8	5.8	5.8
	O	3.1	4.5	4.2
300: Natural resources and environment	BA	15.2	13.4	15.1
	O	16.0	14.8	16.0
350: Agriculture	BA	23.7	22.2	20.8
	O	21.6	19.6	18.8
370: Commerce and housing credit	BA	11.9	10.8	10.5
	O	5.1	5.2	3.9
400: Transportation	BA	27.0	27.5	27.8
	O	27.3	27.6	27.6
450: Community and regional development	BA	6.2	6.0	5.8
	O	6.0	6.2	5.6
500: Education, training employment, and social services	BA	36.3	36.4	36.3
	O	34.9	36.4	36.2
550: Health	BA	48.8	52.5	57.0
	O	47.8	52.4	56.4
570: Medicare	BA	106.6	115.4	126.5
	O	84.0	93.6	104.0
600: Income security	BA	173.2	176.6	191.2
	O	135.6	140.6	146.5
650: Social security	BA	278.9	306.8	333.3
	O	233.8	248.5	263.5
700: Veterans benefits and services	BA	29.2	30.0	30.8
	O	28.7	29.6	30.5
750: Administration of justice	BA	10.3	10.6	10.8
	O	9.9	10.4	10.8

THE PRESIDENT'S 1989 BUDGET REQUEST—Continued

[In billions of dollars]

		1989	1990	1991
800: General government	BA	9.9	10.0	10.4
	O	9.5	10.4	10.4
900: Net interest	BA	151.6	156.2	158.8
	O	151.6	156.2	158.8
920: Allowances	BA	−0.1	−0.1	−0.1
	O	−0.1	−0.1	−0.1
950: Undistributed offsetting receipts	BA	−41.0	−42.2	−42.7
	O	−41.0	−42.2	−42.7
Total spending	BA	1,222.10	1,287.8	1,365.7
	O	1,094.2	1,148.3	1,203.7
Revenues		964.6	1,044.1	1,124.4
Deficit		−129.6	−104.2	−79.2

BUDGET OPTIONS COMPARED TO DEFENSE, INTERNATIONAL AND DOMESTIC DISCRETIONARY CAPS

[In billions of dollars]

		1988 baseline	President's budget	House budget mark	Committee recommendation	Committee vs. 1988 baseline
DEFENSE:						
Function 050	BA	291.4	299.5	299.5	299.5	8.1
	O	287.5	294.5	294.0	294.0	6.5
Defense caps	BA	299.5	299.5	299.5	299.5	
	O	294.0	294.0	294.0	294.0	
Difference	BA	−8.1	0.0	0.0	0.0	
	O	−6.5	0.5	0.0	0.0	
INTERNATIONAL AFFAIRS:						
Function 150	BA	17.8	18.1	16.6	18.1	0.3
	O	16.5	16.1	16.2	16.1	−0.4
International caps	BA	18.1	18.1	18.1	18.1	
	O	16.1	16.1	16.1	16.1	
Difference	BA	−0.3	0.0	−1.5	0.0	
	O	0.4	0.0	0.1	0.0	
DOMESTIC DISCRETIONARY						
Function 250	BA	10.7	13.9	12.4	13.4	2.6
	O	10.9	13.0	12.2	13.0	2.1
Function 270	BA	5.8	6.0	5.8	5.9	0.0
	O	6.2	6.8	6.1	5.9	−0.3
Function 300	BA	16.1	15.3	16.0	15.9	−0.2
	O	16.2	16.5	16.5	16.3	0.1
Function 350	BA	2.3	1.6	2.2	2.2	−0.2
	O	2.3	1.7	2.3	2.3	0.0
Function 370	BA	2.9	1.9	2.9	2.6	−0.3
	O	2.9	1.9	3.0	2.7	−0.2
Function 400	BA	10.9	9.8	11.5	11.4	0.5
	O	27.0	27.1	27.5	27.9	0.9
Function 450	BA	5.4	4.2	5.4	5.0	−0.4
	O	5.8	5.7	5.8	5.7	−0.1

BUDGET OPTIONS COMPARED TO DEFENSE, INTERNATIONAL AND DOMESTIC DISCRETIONARY CAPS—Continued

[In billions of dollars]

		1988 baseline	President's budget	House budget mark	Committee recommendation	Committee vs. 1988 baseline
Function 500	BA	25.2	26.4	27.6	26.7	1.4
	O	24.8	26.1	26.6	26.5	1.7
Function 550	BA	13.0	13.6	13.4	13.6	0.6
	O	11.9	13.2	13.1	13.2	1.3
Function 570	BA	0.0	0.0	0.0	0.0	0.0
	O	1.8	2.1	2.1	2.1	0.3
Function 600	BA	13.7	13.4	15.0	14.1	0.4
	O	18.9	20.8	20.9	21.0	2.1
Function 650	BA	0.0	0.0	0.0	0.0	0.0
	O	2.1	2.1	2.1	2.2	0.1
Function 700	BA	11.8	12.0	12.0	12.1	0.3
	O	11.7	12.0	12.0	12.1	0.5
Function 750	BA	8.7	9.8	9.2	9.3	0.6
	O	8.4	9.4	9.0	9.3	0.9
Function 800	BA	8.4	8.8	8.3	8.3	−0.1
	O	8.3	8.7	8.3	8.4	0.1
Function 920	BA	0.0	−0.1	0.0	0.0	0.0
	O	0.0	0.0	0.0	0.0	0.0
Credit and other Adjustments.	BA	9.2	11.0	6.3	7.9	−1.3
	O	1.2	1.8	1.7	0.8	−0.4
Total	BA	144.1	147.6	148.0	148.1	4.9
	O	160.2	168.7	169.2	169.2	9.0
Domestic caps	BA	148.1	148.	148.1	148.1	
	O	169.2	169.	169.2	169.2	
Difference	BA	−4.0	−0.5	−0.1	0.0	
	O	−9.0	−0.5	0.0	0.0	

Chapter VI: FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

The Federal Government provides financial assistance to States and localities to support public education, law enforcement and road, sewer, and other infrastructure construction. In addition, Federal aid helps pay the costs of various income maintenance programs and bolsters local efforts to promote economic development and job creation.

Committee Recommendation

The Committee recommendation for grants to State and local governments reflects the belief that our current system of federalism should be maintained. The Committee recommendation also recognizes, however, that because of the overwhelming need to reduce the Federal deficit, there has to be significant spending restraint in domestic programs, as well as in defense. At the same time, the Committee recommendation attempts to preserve essential national program priorities.

The Committee recommends Federal grant-in-aid outlays of $121.6 billion for 1989, an increase of $6.1 billion or roughly 5 percent over 1988 spending. This level represents a reduction from baseline of $600 million, but is a full $2.1 billion above the President's recommended 1989 level.

FEDERAL GRANT-IN-AID ASSISTANCE TO STATE AND LOCAL GOVERNMENTS IN COMMITTEE RECOMMENDATION

[In billions of dollars]

Function		1989	1990
050: National defense	BA	0.2	0.2
	O	0.2	0.2
150: International affairs	BA	0.1	0.1
	O	0.2	0.2
270: Energy	BA	0.1	0.1
	O	0.4	.04
300: Natural resources and environment	BA	3.6	3.6
	O	3.8	3.7
350: Agriculture	BA	1.8	2.0
	O	1.8	2.1
370: Commerce and housing credit	BA	0.0	0.0
	O	0.0	0.0
400: Transportation	BA	18.9	18.5
	O	17.9	18.2
450: Community and regional development	BA	3.7	3.5
	O	4.1	3.9
500: Education, training, employment, and social services	BA	22.0	22.2
	O	20.5	21.6
550: Health	BA	32.8	35.9
	O	32.7	36.0
600: Income security	BA	33.6	33.5
	O	31.5	33.1
700: Veterans benefits and services	BA	0.0	0.0
	O	0.0	0.0
750: Administration of justice	BA	0.3	0.3
	O	0.3	0.3
800: General government	BA	2.0	2.0
	O	2.1	2.0
Total spending	BA	119.1	121.9
	O	115.5	121.6

Chapter VII. VIEWS AND ESTIMATES OF SENATE COMMITTEES

Section 301(d) of the Congressional Budget Act calls on the committees of the Senate and House to report to their respective Budget Committees by February 25 of each year their views and estimates of budget requirements for matters within their jurisdictions to assist the Budget Committees in preparing the budget resolution.

Following is the letter sent by the Budget Committee to the other committees of the Senate requesting their views, together with the responses received.

PATRICK J. LEAHY, VERMONT, CHAIRMAN

JOHN MELCHER, MONTANA
DAVID H. PRYOR, ARKANSAS
DAVID L. BOREN, OKLAHOMA
HOWELL HEFLIN, ALABAMA
TOM HARKIN, IOWA
KENT CONRAD, NORTH DAKOTA
WYCHE FOWLER, JR., GEORGIA
THOMAS A. DASCHLE,
SOUTH DAKOTA
JOHN B. BREAUX, LOUISIANA

RICHARD G. LUGAR, INDIANA
ROBERT DOLE, KANSAS
JESSE HELMS, NORTH CAROLINA
THAD COCHRAN, MISSISSIPPI
RUDY BOSCHWITZ, MINNESOTA
MITCH McCONNELL, KENTUCKY
CHRISTOPHER S. "KIT" BOND,
MISSOURI
PETE WILSON, CALIFORNIA
DAVID K. KARNES, NEBRASKA

United States Senate
COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, DC 20510-6000

March 25, 1988

The Honorable Lawton Chiles
Chairman
Committee on the Budget
United States Senate
Washington D.C. 20510

Dear Mr. Chairman:

This letter provides the views of the Senate Committee on Agriculture, Nutrition and Forestry regarding the upcoming budgetary cycle. These views are provided in response to both your letter dated February 29, 1988 and to section 301(d) of the Congressional Budget Act of 1974.

The Committee's views and recommendations on the budget for fiscal year 1989 recognize the need for continued budgetary restraint in all areas of Federal spending.

The Committee notes that CBO estimated spending on agricultural commodity programs for FY89 has declined by $1.8 billion since last year's mid-session review. More that $860 million of this reduction is in addition to that estimated by the budget summit. CBO estimated FY88 spending on commodity programs at $24.5 billion in February of 1987. The most recent CBO estimates for FY88 are now at $17.0 billion, a $7.5 billion reduction.

Clearly, programs under this Committee's jurisdiction have contributed significantly to deficit reduction. The Committee believes that additional cuts are unwarranted.

The farm economy is improving, and the Committee does not anticipate major changes in the 1985 Farm Bill. However, not all segments of our society have shared in the recent economic recovery. The Committee believes that the budget resolution should recognize the need to reduce hunger and promote growth in rural areas.

The Committee welcomes the Department's proposed Rural Development Initiative, but does not endorse the President's budget priorities that reduce expenditures for rural development programs within the Farmers Home Administration by $187 million and overall funding for small community and rural development by $2.6 billion. The Committee will consider bipartisan legislation to begin the revitalization of rural America which may involve additional first year funding of up to $240 million.

The President's budget maintains service at last year's participation levels for most of the domestic food assistance programs, such as food stamps, WIC, and school lunch. The Committee is concerned about growing reports of hunger among the homeless and those who fall through the safety net of the Food Stamp program.

The special emergency program that was designed to provided surplus food to those in need, the Temporary Emergency Food Assistance Program (TEFAP), will run out of basic commodities, most notably cheese, by the end of April. The Committee believes that there should be a stable supply of food for this emergency program.

The Committee also believes that adjustments and reforms should be made to the food stamp and child nutrition programs to respond to the crisis facing our nation's hungry, particularly our children.

In order to meet these needs, the Committee is recommending that the Secretary of Agriculture exercise existing authorities to provide for the needs of TEFAP. The Committee will consider legislation which will provide for the purchase of food, primarily cheese, for the TEFAP and for improvements to the food stamp, Child Care Feeding, Summer Feeding, School Breakfast, and nutrition education programs. Outlays for improvements to TEFAP can be substantially offset through resulting savings in CCC outlays.

The Committee appreciates the Administration's support for the food stamp and child nutrition programs. However, the Committee also does not share the view that "there is no poverty-based hunger in this country." Action must be taken to meet the needs of our nation's homeless and needy families.

In reviewing the remainder of the President's budget proposal, the Committee has a few short comments.

The Committee notes with disapproval the recommendation of the Administration to terminate all direct telephone and electric loans from the Rural Electrification Administration. The Committee also disagrees with the proposals to eliminate the Agricultural Conservation Program, the Forestry Incentives program, the Water Bank Program, The Colorado River Salinity Control Program, the Cost-share assistance for the Great Plains Conservation program and the major reduction in funding for the Export Credit Guarantee

Program. Nor does the Committee agree with the priorities suggested by the Administration for the Agricultural Research Service. The Committee suggests that funding for agricultural research and extension be maintained at the levels agreed to in the budget summit.

Proposed in the President's budget are major changes to federal credit programs. The Committee has not subjected these sweeping reform suggestions to serious review and as such, cannot recommend their acceptance.

The Committee also points out that major multilateral trade negotiations are now ongoing. For the first time, agricultural trade and domestic farm policies will be the subject of major review. In conducting these negotiations it is important that the U.S. send a clear signal to our major competitors and those countries which maintain barriers to trade that the U.S. is prepared to stand by our producers. Further cuts in our farm programs during these negotiations would tell other subsidizing countries that they have won, that they have spent the U.S. out of agriculture export markets.

It is only through long-term, multilateral negotiations that we can maintain the health of U.S. agriculture. The Committee concurs with the Administration in its support of the budget summit agreement and calls for no changes in commodity programs beyond those agreed to in the Reconciliation Act of 1987.

In conclusion, the Agriculture Committee recognizes that the Budget Committee faces a difficult task in reducing the federal deficit. However, the Agriculture Committee notes that spending on programs under its jurisdiction have been reduced substantially in the past year, and are currently projected to be below the summit agreement for FY88 and FY89 by $2.4 billion as scored by OMB.

Sincerely,

Patrick Leahy

RICHARD G. LUGAR
Ranking Minority Member

PATRICK LEAHY
Chairman

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United States Senate
COMMITTEE ON APPROPRIATIONS
WASHINGTON, DC 20510-6025

March 29, 1988

The Honorable Lawton Chiles
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

The Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Lawton and Pete:

This letter sets forth the views of the Committee on Appropriations on the fiscal year 1989 budget and is submitted to the Senate Budget Committee in accordance with Section 301(d) of the Congressional Budget Act of 1974, as amended.

The Committee on Appropriations intends to exercise its discretion and authority to abide by the spending levels contained in the Budget Summit Agreement of November 20, 1987, as set forth in Section 8001 of title VIII of the Omnibus Budget Reconciliation Act of 1987 (H.R. 3545, Public Law 100-203). Accordingly, the Committee will give all due regard to the forthcoming Concurrent Budget Resolution's efforts to implement the agreed-upon levels of spending in fiscal year 1989 set forth in the Budget Summit Agreement for Defense (050), International Affairs (150) and Domestic Discretionary programs. In this regard, the Committee on Appropriations would strongly urge that no action be taken by the Senate Budget Committee which would either undermine the Budget Summit Agreement or preclude prompt enactment of the 13 individual appropriations bills later this year.

We trust that this information will assist the Budget Committee as it prepares the Concurrent Resolution on the Budget for fiscal year 1989. We look forward to working with you on this important matter in the weeks ahead.

Sincerely,

Mark O. Hatfield
Ranking Minority Member

John C. Stennis
Chairman

SAM NUNN, GEORGIA, CHAIRMAN

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CARL M. SMITH, STAFF DIRECTOR FOR THE MINORITY

United States Senate
COMMITTEE ON ARMED SERVICES
WASHINGTON, DC 20510-6050

March 22, 1988

Honorable Lawton Chiles
Chairman
Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Lawton and Pete:

In accordance with the provisions of Section 301(d) of the Congressional Budget Act, we are forwarding the recommendation of the Committee on Armed Services for the National Defense Function (050) for FY1989.

As you know, the President's Amended FY1989 Budget for the National Defense Function includes $299.5 billion in budget authority and $294.0 billion in outlays. This request meets the budget authority and outlay targets of last fall's Deficit Reduction Agreement exactly. The Armed Services Committee supports the level of spending proposed by the President for fiscal year 1989. The Committee reaffirms its understanding that the FY1989 National Defense spending levels in the Deficit Reduction Agreement and the FY1989 Budget represent both a ceiling and a floor. While the Deficit Reduction Agreement provides that no more than $299.5 billion in budget authority and $294.0 billion in outlays may be provided for National Defense in FY1989, our hearings to date on the FY1989 Amended Defense Authorization Request justify the agreement that Congress should not provide any less than these amounts in FY1989.

At this time the Committee is recommending a National Defense spending level only for fiscal year 1989. Because the Deficit Reduction Agreement was completed so late last year, the Defense Department has not had time to prepare a complete, revised Five Year Defense Plan that matches the reduced outyear spending levels in the FY1989 President's Budget. Many members of the Committee believe we need a prudent and sustainable level of real growth in Defense spending over the next five years. However, we realize that the President's FY1989 Budget does not meet the Gramm-Rudman-Hollings deficit goals after FY1989.

In closing, we would like to note that last fall's Deficit Reduction Agreement is an excellent example of the benefits of a two-year budget cycle. Because of this Agreement, we start this year with a consensus on the overall level of National Defense spending for the next fiscal year. This agreement will allow the authorization and appropriations processes to proceed in a more orderly and timely fashion this year. We believe that we demonstrated the potential for a two-year budget to work in the FY1988/89 National Defense Authorization Act last year, even though Congress failed to appropriate funds for the second year. Secretary Carlucci has indicated that he intends to submit another two-year budget for the Defense Department next year. Our Committee remains committed to making further progress on implementing a two-year budget for the Defense Department next year.

We look forward to working with you on the Budget Resolution in the weeks ahead.

Sincerely,

Sam Nunn
Chairman

John W. Warner
Ranking Minority Member

ERNEST F HOLLINGS SOUTH CAROLINA CHAIRMAN

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WENDELL H FORD KENTUCKY
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United States Senate
COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION
WASHINGTON, DC 20510-6125

March 25, 1988

The Honorable Lawton Chiles
Chairman
The Honorable Pete V. Domenici
Ranking Republican
U.S. Senate Committee on the Budget
Washington, DC 20510

Dear Lawton and Pete:

Enclosed please find the Commerce Committee's report on its "views and estimates" on spending levels for fiscal year 1989.

Per your request, we are submitting figures for programs which we project should differ substantially from the current CBO baseline. Narrative explanations are also included.

With warmest regards, we are

Sincerely,

Jack

JOHN C. DANFORTH
Ranking Republican

ERNEST F. HOLLINGS
Chairman

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

NARRATIVE STATEMENT ON RECOMMENDED SPENDING LEVELS

Major New Initiatives

Proposal A: FAA Operations and Maintenance

Increases are requested to ensure adequate staffing to safely handle expected increases in aircraft operations. Specifically, increases will provide for the addition of 900 air traffic controllers, 300 aviation inspectors, and 50 aviation security personnel. The Committee's recommendation for FY 1989 is identical to the President's budget.

Proposal B: FAA Facilities and Equipment

The recommended increase in FAA Facilities and Equipment is to fund planned equipment procurement and its installation in the air traffic control system. Examples of projects to be funded in FY 1989 include the Doppler Weather Radar System, Flight Service Station modernization, replacement of long-range radars, and the award of the procurement contract for the Advanced Automation System, the FAA's future air traffic controller computer/work station. The FY 1989 level is reflective of the President's budget request, with outyear levels based on authorization figures included in P.L. 100-223.

Proposal C: Coast Guard Operating Expenses.

The Administration has proposed $2,100 million in budget authority compared to the CBO baseline of $1,858 million. These funds would enable the Coast Guard to continue its varied missions, which range from search and rescue patrols to drug interdiction, without serious reduction. The Administration would fund $30 million of the increase with money transferred from the Boat Safety Account, and the remainder with new money. However, current law permits the transfer of only $15 million from the Boat Safety Account. Thus, the Committee recommends new budget authority of $2,085 million in FY 1989.

Proposal D: Coast Guard Acquisition, Construction, and Improvements.

The Administration has proposed $348 million in budget authority compared to the CBO baseline of $257 million. These funds would enable the Coast Guard to maintain the capital plant necessary to carry out its numerous missions. The Committee recommends increasing the ACI account to the Administration-requested level of $348 million.

Proposal E: National Oceanic and Atmospheric Administration (NOAA) Operations, Research, and Facilities.

The Administration has proposed an increase of $149 million over the FY'88 appropriations level for NOAA's weather and satellite observation systems. The Committee supports the Administration in providing funds to maintain the procurement schedule for environmental satellites (GOES, POES, LANDSAT), new weather radar (NEXRAD), and automated weather observation systems (ASOS). The modernization effort is essential for improving the National Weather Service's ability to predict stormscale weather and to produce life-saving and damage-reducing warnings.

In addition, the Committee proposes continued support for new information processing and communications systems required to integrate the data received from modern weather service equipment. A funding increase of $18 million over the FY'88 appropriations level is needed for these systems which include the Advanced Weather Interactive Processing System (AWIPS) and NOAA-PORT.

Finally, the Committee endorses the Administration's $12 million initiative to develop and strengthen a program in climate and global change. The proposed program builds upon ongoing programs in oceanic and atmospheric monitoring, information management and predictive modeling. These activities comprise a substantial federal capability and are critical to the success of a national global change program.

Thus, NOAA will require a funding increase of $179 million over the CBO baseline of $1,210 to meet these obligations and to continue ocean, coastal and fisheries programs at the existing level of effort. As a result, the Committee recommends new budget authority of $1,389 million for the ORF account in FY 89.

Proposal F: Function 250 -- General Science, Space & Technology

The Committee proposes a substantial increases over the CBO baseline for the function 250 programs of the National Aeronautics and Space Administration (NASA) -- $2.048 billion in budget authority for FY 1989.

The increases are needed in order to meet the agency's requirements for maintaining the civil space program. NASA, at this juncture, has critical requirements such as the procurement of expendable launch vehicles for space science payloads, a replacement Tracking and Data Relay Satellite, and initiation of an advanced solid rocket motor program. NASA also requires additional funding to keep ongoing programs on schedule -- Mars Observer, TOPEX, Global Geospace Science, and the Orbital Maneuvering Vehicle -- and to lay the foundation for future space science and technology requirements with programs such as Pathfinder, the Civilian Space Technology Initiative, and the Advanced X-Ray Astrophysics Facility.

Finally, NASA needs a financial commitment from Congress for the development of a permanently manned space station. NASA's estimated cost of the project is $14.5 billion, and it is clear that if this Nation is to retain its leadership in space, it must commit to a permanently manned space station and provide the additional resources required in the FY 1989-FY 1994 time frame.

Overall, the Committee supports the President's FY 89 budget request with some adjustments. However, based on the Committee's analysis of the budget, Members must realize that the FY 89 request is a "recovery budget," not a "leadership budget." Seventy-seven percent of the proposed increase for FY 1989 is for "ongoing" programs, and a significant percentage of the 23% proposed augmentations are for activities strongly endorsed by the Congress and of significant value to the civil space program such as wind tunnel revitalization and the advanced solid rocket motor. FY 89 is a critical year for NASA, and the civil space program and Function 250 must be increased to meet critical NASA requirements.

Proposal G: Function 400 -- NASA Aeronautics

The Committee supports the Administration's proposed increase of $75 million in budget authority and less than $50 million in outlays for research and technology activities in propulsion, composite materials, and new safety systems. The Committee also endorses an increase of $50 million in budget authority for the Administration's proposed wind tunnel revitalization program. Both of these activities are critical to the continued competitiveness of U.S. aerospace firms in world markets and to the U.S. balance of trade. In 1987, the U.S. had a $17 billion trade surplus for aerospace but an overall trade deficit for high technology for the first time ever. If the U.S. is to correct this trend, it must support focused research and technology activities including technology validation and refurbish its aging aerospace infrastructure.

Proposal H: National Science Foundation

The Committee endorses the Administration's initiative to double the NSF budget by 1993. This proposal will produce new basic research and the trained scientists and engineers that the nation will need in order to remain competitive in the world marketplace.

Deficit Reduction Proposals

Proposal A: Electromagnetic Spectrum Fee

The President's budget proposes to assess a charge for the right to use the electromagnetic spectrum. The administration estimates that, if enacted, the charge would result in annual revenues of approximately $250 million beginning in 1990. The Committee will consider the administration's proposal and others this year.

Additional Comments

Airport Improvement Program

The Commerce Committee believes, that because of shortages in airport capacity and major delays in our air transportation system, outlay levels for the Airport Improvement Program (AIP) be significantly increased over FY 1988 levels. Specifically, we recommend that the obligation ceiling on outlays, which are scored to the Appropriations Committee, be set at a level that equals the authorization levels established in P.L. 100-223, or $1.7 billion in FY 1989. This is the amount included in the CBO baseline for AIP budget authority, which has been properly scored to the Commerce Committee.

Ready Reserve Force

We note with interest that the President's FY 1989 budget proposes consolidating responsibility for administering and funding the Ready Reserve Force (RRF) by providing $110 million in budget authority for the RRF to the Maritime Administration (MarAd), which is within the jurisdiction of the Commerce Committee. The proposed consolidation will place the entire funding and program responsibility for the RRF ships in MarAd.

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

SPENDING LEVELS
($ in billions)

	1989	1990	1991	1992	1993
BASELINE					
BA*......	24.047	24.936	26.002	26.988	28.086
O.......	22.937	23.753	24.590	25.207	26.125

I. MAJOR NEW INITIATIVES

Proposal A: FAA Operations and Maintenance

	1989	1990	1991	1992	1993
Baseline	3.325	3.477	3.630	3.790	3.960
BA	3.445	3.582	3.726	3.875	4.030
+ or -	+0.120	+0.105	+0.096	+0.085	+0.070

Proposal B: FAA Facilities and Equipment

	1989	1990	1991	1992	1993
Baseline	1.154	1.202	1.250	1.301	1.354
BA	1.600	2.191	1.990	2.083	2.166
+ or -	+0.446	+0.989	+0.740	+0.782	+0.812

Proposal C: Coast Guard Operating Expenses

	1989	1990	1991	1992	1993
Baseline	1.858	1.940	2.023	2.110	2.201
BA	2.085	2.172	2.259	2.349	2.443
+ or -	+0.227	+0.232	+0.236	+0.239	+0.242

Proposal D: Coast Guard ACI

	1989	1990	1991	1992	1993
Baseline	0.257	0.268	0.279	0.290	0.302
BA	0.348	0.362	0.377	0.392	0.408
+ or -	+0.091	+0.094	+0.098	+0.102	+0.106

Proposal E: NOAA Operations, Research, and Facilities

	1989	1990	1991	1992	1993
Baseline	1.210	1.262	1.316	1.370	1.428
BA	1.389	1.449	1.509	1.573	1.639
+ or -	+0.179	+0.187	+0.193	+0.203	+0.211

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*Baseline reflects the following adjustments to CBO computer runs:

1. Budget authority and outlays for National Oceanic and Atmospheric Administration's Operations, Research, and Facilities account are double to correct error regarding jurisdiction. Jurisdiction over this account lies solely within the Commerce Committee, rather than a 50/50 split wit Environment and Public Works.

2. Budget authority and outlays for National Science Foundation Research an Related Activities are adjusted to correct erroneous 50/50 jurisdictiona split with the Committee on Labor and Human Resources, which has jurisdication only over the Science and Engineering Education Program.

	1989	1990	1991	1992	1993
* Proposal F: Function 250 NASA Programs					
Baseline*	8.552	8.912	9.271	9.655	10.048
BA	10.649	12.702	13.596	14.750	15.363
+ or -	+2.097	+3.790	+4.325	+5.095	+5.315
(for breakdown by agency, see attachment #1)					
Proposal G: Function 400 -- NASA Aeronautics					
Baseline	0.758	0.789	0.822	0.856	0.893
BA	0.883	0.919	0.957	0.997	1.039
+ or -	+0.125	+0.125	+0.125	+0.125	+0.125
Proposal H: National Science Foundation					
Baseline	1.642	1.707	1.775	1.846	1.920
BA	1.894	1.973	2.118	2.445	2.730
+ or -	+0.252	+0.266	+0.343	+0.599	+0.810
TOTAL MAJOR NEW SPENDING					
BA	+3.537	+5.788	+6.156	+7.230	+7.691
II. AREAS OF SAVINGS					
Proposal A: Electromagnetic Spectrum Fee					
Baseline	0.000	0.000	0.000	0.000	0.000
BA	0.000	-0.250	-0.250	-0.250	-0.250
+ or -	-0.000	-0.250	-0.250	-0.250	-0.250
TOTAL NEW SAVINGS					
BA	-0.000	-0.250	-0.250	-0.250	-0.250

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*Levels for National Science Foundation and U.S. Antarctic program subtracted from Function 250 baseline.

ATTACHMENT #1

(Function 250 -- NASA Programs)
Approximate Spending Levels -- Breakdown by Program
($ in billions)

		1989	1990	1991	1992	1993
NASA 250 Baseline	BA	8.6	8.9	9.3	9.7	10.0
	O	8.9	9.1	9.4	9.5	9.7
Major New Initiatives						
Space Station (Administration's Request)	BA	+0.5	+1.6	+2.4	+3.0	+3.2
	O	+0.3	+0.9	+1.8	+2.5	+3.0
ELVs to sustain a mixed fleet	BA	+0.2	+0.4	+0.3	+0.3	+0.3
	O	+0.1	+0.3	+0.3	+0.3	+0.3
Space Flight Control to support the proposed shuttle flight rate, an ASRM, and new TDRS ground terminal	BA	+0.7	+1.0	+0.5	+0.6	+0.7
	O	+0.5	+0.9	+0.7	+0.5	+0.6
Research & Program Management	BA	+0.2	+0.3	+0.3	+0.3	+0.3
	O	+0.1	+0.3	+0.3	+0.3	+0.3
Space Research and Technology including CSTI & Pathfinder	BA	+0.1	+0.2	+0.3	+0.2	+0.2
	O	+0.1	+0.2	+0.3	+0.2	+0.2
Construction of Facilities for Space Flight, Space Science and Space Station	BA	+0.1	+0.1	+0.1	+0.1	+0.1
	O	+ *	+ *	+ *	+ *	+ *
Space Science including AXAF, GGS, Explorers, TOPEX, CRAF/Cassini and EOS	BA	+0.2	+0.2	+0.5	+0.6	+0.7
	O	+0.1	+0.2	+0.4	+0.5	+0.6
RECOMMENDED LEVEL FUNCTION 250: NASA	BA	10.6	12.7	13.6	14.8	15.4

J. BENNETT JOHNSTON, LOUISIANA, CHAIRMAN

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GARY G. ELLSWORTH, CHIEF COUNSEL FOR THE MINORITY

United States Senate
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, DC 20510

March 24, 1988

The Honorable Lawton Chiles
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed is the report of the Committee on Energy and Natural Resources including the "views and estimates" of the Committee for fiscal year 1989 for portions of the Federal budget under the Committee's jurisdiction as required section 301(d) of the Congressional Budget and Impoundment Control Act of 1974, as amended.

In preparation for this report, the full Committee held two days of oversight hearings to consider the President's proposed budget for FY 1989 at which testimony was received from Administration witnesses. The recommendation of the Committee was approved on March 23, 1988, by a vote of 16 ayes and 2 nays with a quorum present.

As outlined in the report, the Committee recommends to the Budget Committee that programs within its jurisdiction be funded in fiscal year 1989 at an aggregate current services level. As you requested, the report addresses new initiatives the Committee contemplates pursuing during the year, as well as our recommended level of spending. The report also comments on the budget initiatives included in the President's proposed budget for FY 1989. Many of these initiatives have been proposed in the past and rejected. In general the Committee does not support the major changes in energy and natural resources programs.

On behalf of the Committee, we look forward to working with you and the other members of the Committee on the Budget to achieve early Congressional approval of the Concurrent resolution on the Budget for Fiscal Year 1989.

Sincerely,

James A. McClure
James A. McClure
Ranking Minority Member

J. Bennett Johnston
J. Bennett Johnston
Chairman

COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

RECOMMENDATION ON
FISCAL YEAR 1989 BUDGET

MARCH 23, 1988

Background

Section 301(d) of the Congressional Budget and Impoundment Control Act, as amended, requires the Committee on Energy and Natural Resources to submit its "views and estimates" for fiscal year 1989 of the portions of the Federal budget under the Committee's jurisdiction to the Committee on the Budget.

In preparation for this report, the full Committee has held three oversight hearings to consider the President's proposed budget for FY 1989. Testimony was received from Interior Secretary Donald Paul Hodel on March 1; from Energy Secretary John Herrington on March 1; from the Federal Energy Regulatory Commission Chairman Martha O. Hesse on March 3; and from Forest Service Chief F. Dale Robertson on March 3.

The Committee approved the following recommendation on March 23, 1988, in an open business meeting by a vote of 16 ayes and 2 nays, with a quorum present.

As requested by the Budget Committee, the report addresses two areas of major policy changes contemplated by the Committee: new initiatives and deficit reduction. The deficit reduction section includes comments on budget cuts and other forms of deficit reduction included in the President's proposed budget for FY 1989.

Recommendation

The Committee recommends that programs within its jurisdiction be funded in fiscal year 1989 at an aggregate CBO current services level, although specific authorization levels within that aggregate may change. The Committee recommendation covers both direct spending program levels and credit program levels. The table on page three shows the Committee recommendation along with FY 1987 appropriations, the FY 1988 CBO current services baseline, and the President's proposed budget, all broken down by budget function.

The Committee recommendation assumes that its fiscal year 1989 recommendation is continued on a CBO current services level through fiscal year 1993.

The Committee recommendation is accompanied by a table (Appendix A) that includes accounts either wholly or partially within the jurisdiction of the Committee. As in years past, some of these accounts have not been included on the list of accounts sent to the

Committee by the Budget Committee. The Committee continues to be concerned about the discrepancies in the accounts listing even though it is not crucial to submission of this Views and Estimates report. There have been continuing efforts at the staff level to resolve these discrepancies. The Committee hopes and expects that those efforts will result in a satisfactory conclusion.

RECOMMENDATION

COMMITTEE ON ENERGY AND NATURAL RESOURCES
FISCAL YEAR 1989 BUDGET 1/
(Millions of dollars)

BUDGET FUNCTION	FY 1988 APPRO-PRIATIONS	FY 1989 CBO CURRENT SERVICES	FY 1989 PRESIDENT'S PROPOSED BUDGET	FY 1989 COMMITTEE RECOMMEND. BUDGET
(250)				
GENERAL SCI.	BA 929.3	BA 966.5	BA 1,338.1	BA 966.5
SPACE, & TECH	OL 917.9	OL 956.0	OL 1,237.1	OL 956.0
(270)				
ENERGY 2/	BA 4,574.5	BA 5,143.1	BA 5,596.2	BA 5,143.1
	OL 4,628.0	OL 4,730.6	OL 5,110.2	OL 4,730.6
(300)				
NATURAL RES.	BA 5,514.7	BA 5,780.0	BA 5,098.7	BA 5,780.0
AND ENVIRO.	OL 5,593.0	OL 5,764.4	OL 5,364.3	OL 5,764.4
(450)				
COMMUNITY &				
REGIONAL	BA 5.5	BA 5.8	BA 5.4	BA 5.8
DEVELOPMENT	OL 9.1	OL 13.6	OL 13.4	OL 13.6
(800)				
GENERAL GOVT.	BA 1,444.2	BA 1,396.0	BA 1,358.0	BA 1,396.0
	OL 1,368.5	OL 1,397.5	OL 1,370.5	OL 1,397.5
TOTAL 3/	BA 12,468.3	BA 13,291.0	BA 13,396.4	BA 13,291.0
	OL 12,535.3	OL 12,884.6	OL 13,117.9	OL 12,884.6

NOTES

1/ All data are from CBO computer files dated 3/7/88. CBO revises its estimates on an ongoing basis. The figures here are based on all budget accounts for which the Committee claims sole or shared jurisdiction.

2/ The President's proposed budget for the Strategic Petroleum Reserve (within Function 270) reflects $684 million in BA and $479 million in OL contingent upon sale of Naval Petroleum Reserves. The Committee opposes such sale and notes that without these revenues, the President's proposed budget for the functions listed would be below current services.

3/ Function 400 (Transportation) is omitted because BA and OL are less than half a million dollars.

NARRATIVE STATEMENT ON RECOMMENDED SPENDING LEVELS

Major New Initiatives

Clean Coal Technology Deployment Act

The Committee will address the Department of Energy's Clean Coal Technology Program in the context of consideration of Senate Bill 879, the Clean Coal Technology Deployment Act. All previous legislation for the Clean Coal Program has been done through the appropriations process. For FY 1989, there is an enacted advance appropriation of $525 million for a second solicitation to demonstrate retrofit, repowering and modernization technologies for existing coal-fired power plants. To the extent that obligations exceed this level, further authorizations and appropriations will be required.

The Department of Energy (DOE) is requesting an advance appropriation of $1.775 billion for additional solicitations for demonstration projects. DOE is requesting that these funds be made available for obligation as follows: $575 million in FY 1990, $600 million in FY 1991, and $600 million in FY 1992.

Advanced Nuclear Reactor Development

The Committee will consider legislation restructuring the advanced nuclear reactor development program of the Department of Energy. This legislation will establish new goals for this program and a process by which these goals can be achieved. The intent of the legislation will be to reorganize the efforts of the Department in research and development on technologies for nuclear fission so as to develop modular, passively safe, commercially viable nuclear reactors that will be available in the 1995 and 2005 time frames.

It is not anticipated that this legislation will have budgetary impact in Fiscal Year 1989.

Renewable Energy and Energy Conservation Technology Competitiveness Act of 1987.

The Committee will address renewable energy technologies in the context of considering the Renewable Energy and Energy Conservation Technology Competitiveness Act of 1987 (S. 1554). If passed, the Act might have a budget impact in FY 1989. This legislation would establish and provide an authorization for a multi-year program of research and development in renewable energy technologies. The purpose of the legislation is to set Congressional goals for a limited but carefully targeted program using Federal resources to encourage technologies that offer promise in the near term for reducing dependence on imported fossil fuels and in improving the competitiveness of U.S. business in international markets in renewable energy technology.

Uranium Revitalization, Tailings Reclamation and Enrichment Act of 1987

The Senate will address the status of the uranium industry and the uranium enrichment enterprise in its consideration of S. 2097 and Amendments 1465, 1466, and 1467. The Committee reported similar legislation on October 1, 1987, and reported S. 2097 on February 25, 1988. S. 2097 is awaiting the scheduling of floor time for consideration.

The purpose of S. 2097 is to provide for a viable domestic uranium industry, to establish a program to fund reclamation and other remedial action at certain uranium mill tailings sites, and to establish a wholly-owned Government corporation to manage the Nation's uranium enrichment enterprise. In addition, this legislation establishes the unrecovered costs of the enrichment program at $364 million. This legislation does not have any budgetary consequences for FY 1989.

Miscellaneous Legislation

Miscellaneous park, wilderness, trail, and wild and scenic river proposals may be enacted which would have a FY 1989 budget impact. While the actual costs of specific legislation cannot be anticipated at this time, the impacts should be relatively small. These would include increased land acquisition costs, management costs, and increased expenditures by the various land managing agencies for operation and maintenance. It is likely, that these miscellaneous proposals would have minimal budgetary impact in FY 1989 above the current services budget level.

Deficit Reduction Proposals

The Committee observes that there is a small amount of direct spending under its control, and offers no new deficit reduction proposals at this time.

Comments on the President's Deficit Reduction Proposals

ENERGY

Superconducting Super Collider

The Committee believes that the President's request for $363 million for research, development, procurement, and construction of the superconducting super colliding accelerator (SSC) is far out of line with budgetary realities. The appropriation for the SSC in fiscal year 1988 was $25 million. Should the Congress agree to proceed with the project, the Committee doubts that the program could expand as fast as the President's request seems to assume. In addition, the Committee has strong reservations about the wisdom of committing to such a massive project as the SSC in the absence of any coherent plan for supporting future research and facilities construction activities of the Department in the physical sciences.

More importantly, the Committee strongly opposes funding the SSC by reducing on-going research programs in the physical sciences, fossil energy research and development, and energy conservation programs. Yet this appears to have been one result of the inclusion of such a large increase for the SSC in the President's Fiscal Year 1989 request. The Committee recommends that major commitments to SSC research and development and any commitment to procurement and construction for the SSC project await resolution of yet unanswered questions about the source of funds for the project and its impact on future funding for research in the physical sciences.

Uranium Enrichment Supply Activities

The President's budget proposes to divert uranium enrichment revenues to the Treasury for deficit reduction. The Committee has reported legislation (S. 1846 and S. 2097) to restructure the uranium enrichment program currently being operated by the Department of Energy. Enactment of this legislation will place the uranium enrichment enterprise on a sound foundation and permit the enterprise to operate in a competitive environment.

Eventually the sale of uranium enrichment services may return revenues to the Treasury, but in its current state, the Department of Energy program cannot contribute to deficit reduction and remain viable. Therefore the Committee strongly opposes any attempt to divert Fiscal Year 1989 uranium enrichment revenues to the Treasury for deficit reduction until after enactment and implementation of S. 2097 or its equivalent.

Nuclear Energy Research and Development

The Committee is concerned that the President's budget for nuclear energy R & D continues to shift significant resources away from civilian reactor research programs and toward defense and space reactor research programs. The President has requested a total of $354 million for nuclear energy research and development. Space and defense power systems would receive $117 million of this total. This represents a 55% increase over the FY 1988 appropriation level for these programs. By comparison, only $61.2 million is requested for advanced civilian reactor research and development, which represents a 34% decrease from the FY 88 level. This reduction in funds for civilian reactor research will delay the implementation of our commitment to the development of the next generation of advanced, inherently safe nuclear power plants.

Hanford

The decision by the Secretary of Energy to put the N-Reactor on cold standby will cause widespread economic dislocation and economic uncertainty in the communities around the Hanford Reservation. Over a three-year period, over 6,000 jobs could be affected in the immediate area around Hanford.

The Committee believes the Department should immediately undertake studies to identify potential short- and long-term missions for existing facilities at Hanford, and give high priority to Hanford for the siting of future projects. The Fast Flux Test Facility is one such existing facility and the Molecular Science Research Facility is a potential new initiative which the Department should consider. The Committee supports the necessary funding by the Department to carry out these studies.

Reduction in Fossil, Solar, and Conservation Research and Development

The Committee does not support the large cuts proposed by the President in these accounts [-$160 million (-49%) in fossil, -$16.5 million (-17%) in solar, and $220 million (-71%) in conservation]. In past years, Congress has added funds to the President's request for energy research and development, particularly in the fossil area, in order to maintain a core capability for long-term research. It is expected that the Congress will do so again this year, maintaining funding at the current services level.

Energy Regulation

The Committee agrees with the President's recommendation to cut $555,000 in funding for the Economic Regulatory Administration, and $238,000 in funding for DOE's Office of Hearings and Appeals. Decreases of at least this much are justified in light of the resolution of an increasing number of oil overcharge cases, and the 1987 repeal of the end use constraints and incremental pricing requirements applicable to utility and industrial energy consumers.

Proposed Sale of the NPR

The Committee is concerned that the Administration's proposed sale of the Naval Petroleum Reserves (NPR) may not be prudent at this time. First of all, the production of NPR oil is providing and will continue to provide valuable revenues to the Government for years to come. Selling that asset would create a mere one-year decrease in the deficit, but would hamper future administrations in their efforts to match revenues and outlays. Second, given current, weak oil prices, this is not the best time to sell the NPR. Finally, the use of any NPR sale revenues for purposes other than debt reduction would violate last year's Budget Summit agreement.

The Administration has never offered convincing arguments for selling the NPR. There is a long history of Federal ownership of oil-producing lands both onshore and on the Outer Continental Shelf. The Committee notes that the NPR properties are part of a unitization agreement with private companies and that few of the operating decisions are made by the Federal government anyway.

The Committee also notes that creation of a 10-million barrel Defense Petroleum Inventory, as proposed by the Administration, might give the erroneous impression that the national defense requirements for oil have been adequately protected. The Committee believes that broader national security concerns require a SPR filled with 750 million barrels of oil.

The Committee is doubtful that the sale of the Naval Petroleum Reserves will lead to an increase in the Strategic Petroleum Reserve fill rate. The Administration's proposed bill leaves the SPR in what amounts to its current budgetary predicament. Moreover, existing law conditions the authority to sell oil produced from the NPR Number 1 (Elk Hills) on the Strategic Petroleum Reserve being filled at no less than 75,000 barrels per day (b/d). This has been the only truly effective means of assuring that the SPR is filled as directed by Congress. Sale of the NPR would remove that incentive.

Comment on SPR

With regard to the Strategic Petroleum Reserve (SPR), the Committee once again notes the Nation's rapidly increasing dependence on oil imports and the continuing conflicts in the Middle East, particularly the Persian Gulf. As just noted, current law (42 U.S.C. 6240(d)) requires that if the SPR fill rate drops below 75,000 b/d, then the United States share of the Naval Petroleum Reserve number 1 (Elk Hills) must be shut in or used solely to fill the SPR.

The Administration proposes a 50,000 b/d fill rate in FY 1989, which is the fill rate for FY 1988. If the NPR is sold, then the Administration proposes a SPR fill rate to 100,000 b/d. The Committee believes the appropriate rate of fill for the SPR should not be determined by whether the NPR is publicly or privately owned. The Committee supports an SPR fill rate of 75,000 b/d which is required by current law. CBO estimates that this fill rate could be supported under a current services budget due to relatively low oil prices and carryover budget authority from FY 1988.

Conservation Grants Funding

The President has again proposed that there be no grant funds for the State and Local Assistance programs (SLAP) on the assumption that oil overcharge funds are available for this purpose. This argument may justify a reduction in appropriations for grants (they have been cut from $780 to $200 million) but Congress has been adamantly opposed to taking action that would lead to the elimination of these conservation programs. The Administration's proposal is, in effect, a decision to terminate these programs. The availability of oil overcharge funds is unpredictable and depends on the outcome of complex legal proceedings. Moreover, states cannot use the funds for program administration.

In the Omnibus Reconciliation Act of 1986 the Congress provided that the Federal contribution to the four Department of Energy conservation grant programs (Weatherization, Schools and Hospitals, Energy Extension Service, and State Energy Conservation Programs) shall be maintained, through fiscal year 1989, at a level no less than $200 million per year. The Congress further provided that these funds shall derive primarily from "excess" amounts deposited in the Petroleum Violations Escrow (PVE) account established pursuant to the Stripper Well Agreement and that direct appropriations would be used to make up the difference between the $200 million funding level and the amount of "excess" available from the PVE (current balance of $15 million).

The Committee supports continuation of current services which provides for a $200 million Federal contribution to the DOE conservation grant programs. The Committee intends that funds be distributed among these programs in the same proportion as funds were distributed in fiscal year 1986.

Bonneville Power Administration

The President's budget submittal to the Congress would deny to the Bonneville Power Administration the authority to borrow funds for the financing of the Pacific Northwest portion of the Third A.C Intertie. It is estimated that such a denial will delay completion of the line by up to two years thereby resulting in a loss of revenue to the Treasury from the sale of energy and capacity. The decision by the Administration in the FY 1989 budget request compounds the error already committed by the Administration in zeroing out the borrowing authority for construction of the Third Intertie and other capital construction activities which was provided in BPA's budget submission for FY 1988. The Administration did not provide for borrowing authority because a study of potential non-Federal participation in construction of the line is presently underway.

It is the Committee's opinion that initiation of Federal construction of the line will not preclude or prejudice non-Federal participation in the intertie. In addition, prompt construction of the line will provide additional revenues to the Treasury as well as protect the Federal investment in the Federal Columbia River Power System by helping assure repayment of the debt on a timely basis. Therefore the Committee recommends that the borrowing authority be restored.

In 1974, the Congress enacted the Federal Columbia River Transmission System Act (88 Stat. 1376) with the explicit purpose of providing a financing mechanism whereby the Bonneville Power Administration would have the flexibility required to accomplish transmission line construction on a schedule compatible with the requirement for distribution of power. The 1974 Act established the Bonneville Power Administration Fund in the U.S. Treasury to be available without further appropriation for carrying out the purposes of the Bonneville Power Administration. In addition the Act authorized the Bonneville Power Administration to issue bonds and sell them to the Secretary of the Treasury to assist in financing the construction, acquisition, and replacement of the Bonneville electric power transmission system.

It was recognized upon passage of the 1974 Act that in exchange for such self-financing flexibility, ratepayers of the Bonneville Power Administration would agree to pay a higher rate of interest on such borrowing authority if that flexibility were provided by the Office of Management and Budget. The Committee strongly believes that withholding borrowing authority for Bonneville Power Administration activities violates the intent of the 1974 Act which clearly established the primacy of Bonneville's need for flexibility in delivering energy resources and capability on a timely basis.

Inseparable from the issue of non-Federal participation in the financing and/or construction of the Third Intertie is the question of the adoption by the Bonneville Power Administration of a long-term intertie access policy that will govern the transmission of both Federal and non-Federal power on the Intertie. The Committee expects that in developing this policy, the Bonneville Power Administration will consider its obligation to serve the needs of all affected electric consumers and the profound influence that the Access Policy will have upon interested utilities.

An overly restrictive access policy could result in the construction of an entirely non-Federal intertie and affect the willingness of non-Federal parties to participate in the funding of the Third Intertie. While the Committee recommends restoration of the borrowing authority, its action should not be taken as a decision favoring the construction of the Third Intertie without non-Federal funds. The Committee's action merely reflects the belief that BPA should have at its disposal the tools to resolve this related matter. in a manner which is in the best interest of the Federal Government and the Region.

NATURAL RESOURCES AND ENVIRONMENT

Onshore Mineral Leasing Revenue

The Department's FY 1989 request does not change the distribution of the state shares of onshore mineral leasing revenues. However, the budget assumes that beginning in FY 1990, the state share will be determined on a "net" instead of "gross" basis (i.e., federal administrative costs will be deducted from gross revenues). The Committee continues to object strongly to this proposal.

Land Acquisition Funds

The Committee is opposed to the proposed reduction of $148.8 million in funding for land acquisition by the Department of the Interior and the Forest Service. Such a large decrease would prohibit agencies from purchasing land which could significantly improve or complete particular public land areas as well as protect valuable natural resources. Since 1981, Congress has repeatedly appropriated funds not sought by the Administration.

State and Private Forestry

The Committee also does not favor the proposed $36.9 million decrease in funds for State and Private Forestry since such a large reduction will undoubtedly adversely affect the management of our nonindustrial private land base.

Forest Service Fees

The Forest Service has proposed to increase revenues by expanding its authority to charge fees at less improved campsites and picnic areas. The Committee believes that it is premature to make a judgment on this request until it has had the opportunity to consider the proposal more thoroughly. However, the Committee continues to oppose entrance or daily use fees for certain units of the national forest system, as well as fees for certain activities such as utilization of scenic overlooks, drinking water facilities, etc.

Mineral Institutes

Funding is not requested for the 32 Mineral Institutes in FY 1989. The Committee believes that the Institutes should be funded since they carry out important basic research and education activities in mineral sciences and engineering.

Rural Abandoned Mine Program

Funding is not requested for the Rural Abandoned Mine Program for FY 1989. The Committee believes the funding should be continued as this program provides for erosion control and improved water quality on rural abandoned lands affected by past coal mining.

Coal Availability Studies

Funding is not requested for coal availability studies for FY 1989. The Committee believes this program should be funded as the studies provide information of the quantity and quality of coal available. Such information is important in making policy determinations in such areas as acid rain.

Territorial and International Affairs

The Committee notes that the President's budget request did not include funding for the following obligations which will not be funded under a current services funding level: payments for services previously contracted for by the Trust Territory Government ($12 million), and rehabilitation of Bikini Atoll from the effects of the U.S. nuclear testing program ($100 million), pursuant to the March 15, 1985 lawsuit settlement between the people of Bikini and the U.S.

Government. The failure of the Administration to request funding for U.S. obligations to the Freely Associated States is inconsistent with the objectives of the Compact of Free Association and threatens to undermine friendly relations with the governments of the Freely Associated States.

The Committee also notes that the President's budget request for FY 1989, similar to the FY 1987 and FY 1988 requests, assumes that the Compact of Free Association with the Republic of Palau will be implemented pursuant to P.L. 99-658 before the beginning of the fiscal year, and therefore included no funding for the Trust Territory of the Pacific Islands operations account.

The Committee is very concerned that delays in approval of the Joint Resolution requested by the President of the United States and the government of Palau to permit implementation of the Compact would delay the release of Compact funds for Palau, provided under P.L. 99-349 (the 1986 Urgent Supplemental Appropriations Act) and will seriously disrupt ongoing governmental activities.

If appropriations increases in such accounts are necessary for Palau in order to bridge any funding gaps, then the Committee recommends that needed funds first be sought from funds requested for lower priority items (e.g., construction grants for the Virgin Islands which could be postponed). Such steps should be investigated prior to seeking a budget amendment.

Bureau of Reclamation

The Committee notes that the President once again proposes to change the funding priorities of the Bureau of Reclamation, namely to increase funding to complete a few ongoing construction projects, and to decrease or terminate funding for other construction projects and the loan program. Last year, the Congress modestly restructured funding priorities for the Bureau during the appropriations process and it is anticipated that similar action will again take place during consideration of the FY 1989 appropriations bill. In particular, the Committee notes that no funds have been requested for three loans that were previously funded in fiscal year 1988 and that no funds have been requested for a new loan proposal that was transmitted to the Congress on January 5, 1988. Loan applicants have invested considerable effort and funds in securing approved loans and it is not fair to the applicants to withhold funding -- particularly for projects under construction. The Committee recommends a level of funding for the loan program commensurate with current with current and anticipated obligations.

The fiscal year 1989 budget request contains a substantial increase for operation and maintenance activities. The Committee strongly endorses this request. This emphasis on prudent maintenance is long overdue and, as the budget indicates, will require a strong program for several years to make up for past shortcomings.

APPENDIX A

ENERGY & NATURAL RESOURCES COMMITTEE - BUDGET ACCOUNTS BY FUNCTION

FUN SUB ACCT #	TITLE
250 - GENERAL SCIENCE, SPACE, & TECHNOLOGY	
251 - GENERAL SCIENCE AND BASIC RESEARCH	
19 20 0200 251	Basic research user facilities (General science and basic research)
19 20 0222 251	General science and research activities
31 45 0200 251	U.S. Antarctic program
270 - ENERGY	
271 - ENERGY SUPPLY	
10 12 0805 271	Exploration of national petroleum reserve in Alaska
15 10 0112 271	Energy security reserve
15 10 0114 271	Biomass energy development
19 20 0200 271	Basic research user facilities (Energy supply)
19 20 0206 271	Geothermal resources development fund
19 20 0213 271	Fossil energy research and development
19 20 0219 271	Naval petroleum and oil shale reserves
19 20 0224 271	Energy supply, R&D activities
19 20 0226 271	Uranium supply and enrichment activities
19 20 0235 271	Clean coal technology
19 20 4180 271	Isotope production and distribution fund
19 20 5180 271	Alternative fuels production
19 20 5227 271	Nuclear waste disposal fund
19 20 8575 271	Advances for cooperative work
19 50 0302 271	Operation and maintenance, Southeastern Power Administration
19 50 0303 271	Operation and maintenance, Southwestern Power Administration
19 50 0304 271	Operation and maintenance, Alaska Power Administration
19 50 4045 271	Bonneville Power Administration fund
19 50 4452 271	Colorado river basins power marketing fund, Western Area Pow
19 50 5068 271	Construction, rehabilitation, operation and maintenance, Wes
19 50 5069 271	Emergency fund, Western Area Power Administration
19 50 5653 271	Continuing fund, Southeastern Power Administration
19 60 0205 271	Special foreign currency program
272 - ENERGY CONSERVATION	
19 20 0215 272	Energy conservation
25 06 0179 272	Assistance for solar and conservation improvements
272 - EMERGENCY ENERGY PREPAREDNESS	
19 20 0218 274	Strategic petroleum reserve
19 20 0233 274	SPR petroleum
19 20 0234 274	Emergency preparedness
276 - ENERGY INFORMATION, POLICY, & REGULATION	
19 20 0212 276	Federal Energy Regulatory Commission
19 20 0216 276	Energy information administration
19 20 0217 276	Economic regulation
19 60 0228 276	Departmental administration
300 - NATURAL RESOURCES & ENVIRONMENT	
301 - WATER RESOURCES	
10 10 0667 301	Loan program
10 10 0684 301	Construction program
10 10 4079 301	Lower Colorado River Basin development fund
10 10 4081 301	Upper Colorado River Basin fund
10 10 4524 301	Working capital fund
10 10 5043 301	Emergency fund
10 10 5060 301	General investigations
10 10 5064 301	Operation and maintenance
10 10 5065 301	General administrative expenses
10 10 5656 301	Colorado River dam fund, Boulder Canyon project
10 10 8070 301	Reclamation trust funds
302 - CONSERVATION & LAND MANAGEMENT	
05 96 1103 302	Construction
05 96 1104 302	Forest research
05 96 1106 302	National forest system
05 96 5207 302	Range betterment fund
05 96 9922 302	Forest Service permanent appropriations
10 04 1109 302	Management of lands and resources
10 04 1110 302	Construction and access
10 04 1116 302	Oregon and California grant lands
10 04 1117 302	Special acquisition of lands and minerals
10 04 4525 302	Working capital fund
10 04 5017 302	Service charges, deposits, and forfeitures
10 04 5033 302	Land acquisition
10 04 5048 302	Operation and maintenance of quarters
10 04 5132 302	Range improvements

ENERGY & NATURAL RESOURCES COMMITTEE - BUDGET ACCOUNTS BY FUNCTION

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FUN
   SUB
      ACCT #                TITLE
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      10 04 9921 302        Miscellaneous permanent appropriations (Conservation and lan
      10 04 9971 302        Miscellaneous trust funds
      10 06 1917 302        Leasing and royalty management
      10 08 1801 302        Regulation and technology
      10 08 5015 302        Abandoned mine reclamation fund
   303 - RECREATIONAL RESOURCES
      05 96 5004 303        Land acquisition
      05 96 5072 303        Operation and maintenance of recreation facilities
      10 18 5020 303        Land acquisition
      10 24 1031 303        Urban park and recreation fund
      10 24 1036 303        Operation of the national park system
      10 24 1037 303        Road construction
      10 24 1039 303        Construction
      10 24 1042 303        National recreation and preservation
      10 24 1043 303        Illinois and Michigan canal national heritage-corridor Commi
      10 24 1044 303        Jefferson national expansion memorial commission
      10 24 5006 303        Planning, development, and operation of recreation facilitie
      10 24 5035 303        Land acquisition
      10 24 5049 303        Operation and maintenance of quarters
      10 24 5078 303        National park system visitor facilities fund
      10 24 5140 303        Historic preservation fund
      10 24 9924 303        Miscellaneous permanent appropriations
      10 24 9972 303        Miscellaneous trust funds
      30 10 2300 303        Salaries and expenses
      30 10 8298 303        Donations
   304 - POLLUTION CONTROL & ABATEMENT
      05 60 3318 304        Colorado river basin salinity control program
   306 - OTHER NATURAL RESOURCES
      10 12 0804 306        Surveys, investigations and research
      10 12 5055 306        Operation and maintenance of quarters
      10 12 8562 306        Contributed funds
      10 14 0959 306        Mines and minerals
      10 14 4053 306        Helium fund
      10 14 8287 306        Contributed funds
      10 84 0102 306        Salaries and expenses
      10 84 0103 306        Construction management
      10 84 0105 306        Office of the Secretary (special foreign currency program)
      10 86 0107 306        Office of the Solicitor
      10 88 0104 306        Office of Inspector General
      10 88 5052 306        Operation and maintenance of quarters
400 - TRANSPORTATION
   401 - GROUND TRANSPORTATION
      05 96 8029 401        Highway Construction: Mount St. Helens National Monument
      10 24 8215 401        Construction (trust fund)
450 - COMMUNITY & REGIONAL DEVELOPMENT
   451 - COMMUNITY DEVELOPMENT
      25 02 4040 451        Community disposal operations fund
      32 08 0100 451        Salaries and expenses
      32 08 0102 451        Public development
      32 08 4084 451        Land acquisition and development fund
      32 08 8112 451        Gifts and donations
800 - GENERAL GOVERNMENT
   806 - GENERAL PURPOSE FISCAL ASSISTANCE
      05 96 9921 806        Forest Service permanent appropriations
      10 04 1114 806        Payments in lieu of taxes
      10 04 9921 806        Miscellaneous permanent appropriations (Other general purpos
      10 06 5003 806        Payments to States from receipts under Mineral Leasing Act
      10 10 9922 806        Miscellaneous permanent appropriations (Other general purpos
      10 82 0418 806        Payments to the United States territories, fiscal assistance
      15 15 9922 806        Miscellaneous permanent appropriations
   808 - OTHER GENERAL GOVERNMENT
      10 76 9925 808        Miscellaneous permanent appropriations (Other general govern
      10 82 0412 808        Administration of territories
      10 82 0414 808        Trust Territory of the Pacific Islands
      10 82 0415 808        Compact of free association
      33 19 3300 808        Holocaust Memorial Council
      33 19 8279 808        Gifts and donations
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ENERGY & NATURAL RESOURCES COMMITTEE - BUDGET ACCOUNTS BY FUNCTION

FUN SUB ACCT #	TITLE
INACTIVE OR DELETED ACCOUNTS	
10 04 5011 302	Recreation development and operation of recreational facilities
10 10 9922 999	Miscellaneous permanent appropriations (Other general purpose
10 24 1035 303	National Capitol Region Arts and Cultural Affairs
10 24 5077 303	Commemorative Activities Fund
10 76 9973 808	Misc. trust funds (Other general government)
10 82 0416 808	Micronesian claims fund, Trust Territory of the Pacific Isla
10 82 7011 808	Administration of territories, FFB direct loans
10 84 4523 306	Working capital fund
10 84 9911 301	Miscellaneous expiring appropriations (Water resources)
10 84 9911 302	Miscellaneous expiring appropriations (Conservation and land managemen
15 11 0206 271	Geothermal resources development fund, FFB (loan guarantee origination
15 11 0412 806	Territory of the Virgin Islands, FFB (loan guarantee originations)
15 11 0413 806	Guam Power Authority (loan guarantee originations)
15 11 5180 271	Alternative fuels production, FFB (loan guarantee originations)
19 50 5649 271	Continuing fund, Souwestern Power Administration
19 60 8576 251	Gifts and donations

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BAILEY GUARD MINORITY STAFF DIRECTOR

United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

WASHINGTON DC 20510-6175

March 24, 1988

The Honorable Lawton Chiles
Chairman
Committee on the Budget
U.S. Senate
Washington, D.C. 20510

Dear Senator Chiles:

This letter constitutes the "views and estimates" of the Committee on Environment and Public Works for the purposes of developing the budget resolution for FY 89.

In general, we are concerned about proposals in the President's FY 89 request that we find to be at substantial variance with the budget summit agreement of last year. It is our understanding that the spending agreement provided for a 2% increase between FY 88 and FY 89 for domestic programs. However, large reductions are proposed for many programs within the jurisdiction of the Environment and Public Works Committee. Therefore, our comments are directed to proposed reductions that would significantly affect the scope and direction of Committee programs in addition to a discussion of new initiatives and deficit reduction measures.

Environmental Programs

As you recall, Congress overwhelmingly supported the Water Quality Act Amendments of 1987 over the objections of the President. Since enactment, the Administration has refused to budget for or fully implement the law. This is particularly true of the Construction Grant and State Revolving Loan program. This program was dealt a serious budgetary blow in the form of a payment policy announced by the Environmental Protection Agency (EPA) last September.

EPA in conjunction with the Office of Management and Budget determined that a "letter of credit" form of payment rather than cash would be used to fund state revolving loan funds. This is in direct contradiction of the law and Congressional intent. Efforts to correct the problem failed in the appropriations process due to severe outlay restraints. However, the Committee intends to pursue this matter in legislation again this year. States have planned on receiving cash payments and accruing interest to maximize available funds and support higher bond ratings.

The problem is compounded by the President's budget request of $1.5 billion in budget authority for this program in FY 89, nearly $1 billion short of the authorized level. Therefore, we are strongly recommending that the full $2.4 billion for construction grant and loan budget authority and necessary outlay levels be budgeted for in the FY 89 Budget Resolution to support the program as enacted.

While we are generally concerned about nonexistent funding or drastic underfunding of programs administered by the Environmental Protection Agency, there is one glaring omission in the President's request that deserves special mention. Once again, the President's budget does not include a request to support the asbestos-in-schools loan and grant program. This situation has special significance in the coming year. EPA issued regulations under the Asbestos Hazard Emergency Response Act (AHERA) last October. The nation's schools are facing major expenses to meet the requirements of the regulations. In a joint subcommittee hearing on March 15, school board representatives and others testified to the hardships schools are facing in meeting the requirements under AHERA in part because of resources. While the Federally authorized contribution of $100 million is small relative to the total costs facing the nation's schools, it certainly will help the most underfunded schools take necessary steps to address this health threat.

Pending Endangered Species Legislation

Legislation (S. 675, Calendar No. 467) reported by the Committee to amend and extend the Endangered Species Act through fiscal year 1992 provides an estimated $15 million in new budget authority for matching grants to States in accordance with section 6 of the Act. Under that grant program in fiscal year 1988, the States received only $4.3 million, which is roughly the funding level provided in 1977. Yet there are four times as many State cooperative agreements eligible for section 6 support as there were in 1977. In addition, the combination of Administration requests to provide no section 6 funding and to rescind funding already provided, along with the uncertainty of congressional appropriation levels, have prevented significant progress toward the Act's goals. The three-fold increase in new direct spending provided by S. 675 for FY 89, therefore, is essential to implementation of the Endangered Species Act. We urge you to include the necessary funds in the FY89 budget resolution to support this measure.

Highways

Another extremely serious concern relates to the funding for the Federal-aid highway program. Despite a large cash balance in the Highway Trust Fund--estimated at $9.4 billion--and projected income of $13 to $14 billion in FY 88, the President's budget calls for a spending level of $11.4 billion in FY 89. This is $400 million below the FY 88 obligation limitation of $11.8 billion and nearly $1 billion below the obligation ceiling set by the Surface Transportation and Uniform Relocation Assistance Act of 1987 (STURRA). Last year at this time the STURRA was under consideration by the Congress. In discussions with the Budget Committee, a flat obligation ceiling of $12.35 billion was agreed to, and that was the annual spending level for FY 87-91 eventually contained in the 1987 Act, P.L. 100-17.

By the Administration's own forecasts, $314 to $498 billion will be necessary to maintain the current physical condition and operating conditions on the nation's highway system between 1985 and the year 2000; this translates into an annual spending level of $19.7 to $34.1 billion. The Federal Highway Administration additionally estimates the cost to complete the Interstate System at $19.3 billion and the cost of bringing all deficient bridges up to current standards at $51.4 billion.

Just this month, the National Council on Public Works Improvement, created by P.L. 98-501 to assess the state of America's infrastructure, released its final report. On the subject of highways, the Council noted the sizable cash balance in the Highway Trust Fund, gave our road and bridge system a "C+" grade, and recommended that current levels of capital spending be doubled for infrastructure, including highways.

The Highway Trust Fund was established in 1956 specifically to channel revenues from highway user taxes to the highway program; the specified taxes were earmarked and intended to approximately match estimated highway expenditures. The so-called Byrd amendment imposed a further fiscal control by assuring that there would never be a deficit in the Highway Trust Fund. Since that time the Federal-aid highway program has evolved into one of the most successful and fiscally conservative Federal programs in our nation's history.

With the above considerations in mind, we urge that you provide for an obligation ceiling of $12.35 billion and a corresponding outlay level of $13.5 billion for the highway program in FY 89. This is the level of spending enacted in the 1987 Act; it can be readily supported by the Highway Trust Fund, and in fact the cash balance will grow; and it comes closer to providing funding in line with meeting our critical highway and bridge needs nationwide.

NRC User Fees

Finally, we are opposed to the proposal in the President's budget that calls for further increases in user fees to off-set appropriations to the Nuclear Regulatory Commission (NRC). As you know, provisions of P.L. 100-203, the Omnibus Budget Reconciliation Act of 1987, authorized an increase in fee collection equal to 45% of the Commission's budget for FY 88 and FY 89. Based on the negotiations that took place on this provision, it is our understanding that no further increases in NRC fees will be assumed in the FY 89 budget resolution.

Thank you for your consideration of these recommendations.

Sincerely,

Robert T. Stafford
Ranking Minority Member

Quentin N. Burdick
Chairman

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United States Senate
COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

March 25, 1988

The Honorable
Lawton Chiles, Chairman
Committee on the Budget
U.S. Senate
Washington, D.C.

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, as amended, I am transmitting to you the attached document presenting the views and estimates of the Committee on Finance with respect to the Fiscal Year 1989 budget.

Sincerely,

Lloyd Bentsen

Lloyd Bentsen,
Chairman

March 25, 1988

Views and Estimates of the Committee on Finance With Respect to the Budget for Fiscal Year 1989

Overall budgetary situation.--Under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the Congress is mandated to seek certain levels of deficit reduction leading ultimately to a balanced budget in 1993. In any given year, automatic cuts in spending levels will be triggered if the required deficit reduction has not been achieved as determined by the Office of Management and Budget. The President's budget for fiscal year 1989 projects a deficit which meets the target. Even without additional legislation, the current services projections in the President's budget indicate a FY 1989 deficit which is within the tolerance required to avoid a sequestration.

The Committee recognizes that other estimates, and specifically those of the Congressional Budget Office, project deficits which fall short of meeting the statutory targets. As the Committee with primary legislative responsibility for financing the operations of the Government, the Committee on Finance is keenly aware of the importance of reducing the massive deficits of recent years. It is clear, however, that effective action against the deficits requires cooperative efforts on the part of the Congress and the Administration.

Last year's budget agreement is an important milestone in the search for a partnership between the Administration and the Congress in addressing the deficit. It is clear that further efforts of this nature will be required in coming years to bring the income and outgo of the Government back into balance. For the current year, however, the Committee feels that it would be appropriate to accept the view that last year's budget agreement was a 2-year undertaking and to establish the budgetary plan for this year in a manner which requires as little deviation from that 2-year agreement as possible.

At the same time, the Committee recognizes that Congress retains a responsibility to deal with the high priority needs of the nation and that there remains some unfinished business on the agenda of the 100th Congress which will need to be

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accommodated within this year's budget plan. The Finance Committee expects that it will be possible to deal with such matters in a manner which is consistent with the budget agreement.

Tax proposals.--The Committee strongly believes that the budget resolution should assume no net increase or decrease in revenues. Last year's budget agreement required the tax-writing committees to raise $23 billion in new revenues for the 2-year period. Both the Office of Management and Budget and the Congressional Budget Office currently forecast that that target will be fully met as a result of last year's budget reconciliation legislation. Accordingly, in the Committee's judgment, a further net increase in revenues for fiscal year 1989 would be contrary to the budget agreement.

Medicare.--The Committee notes that the Medicare program has over the past several years borne much of the burden of outlay reduction. While that program does represent a major element of Federal spending, it cannot continue indefinitely to absorb cutbacks without damaging the health care system in ways which will ultimately be harmful to the Nation. The Committee will of course continue to carefully review this program to assure that it is operating on a fiscally sound and efficient basis. The Committee strongly recommends, however, that the Congressional budget for fiscal year 1989 not be based on any assumption of further cutbacks in this program.

Medicaid.--The medicaid program is one of the highest priority areas for Congressional support. The Committee believes that legislative initiatives in this area undertaken last year should be completed before the end of the current Congress. Last year's budget assumed legislation in such important areas as spousal impoverishment and increased coverage for children and pregnant women which would increase Federal medicaid expenditures by $600 million. Legislation enacted last year utilized only about $50 million of this total. We recognize that in the current budgetary situation it may not be possible to accommodate the full amount which was not used last year. However, we recommend that the Budget Committee leave room in the budget resolution it proposes to the Senate for at least $450 million in fiscal year 1989 so that Congress can complete action on these already planned medicaid initiatives.

The Committee notes that the Administration is implementing a number of regulatory changes affecting the medicaid program. In view of concerns which have been raised about some of these policy changes, it would be unwise at this time to assume that the projected savings from them will actually materialize.

Welfare reform.--The Committee expects to complete action on legislation to restructure the welfare program in a manner designed to better help recipients attain self-sufficiency through employment, education, and training and through more effective collection of child support payments. The President's budget includes net funding for such a program at a level of $168 million for fiscal year 1989. This projection is based on a somewhat unrealistic baseline estimate of the Work Incentive (WIN) program. Adjusting for that underestimate of WIN requirements would yield a net cost of approximately $200 million for welfare reform. The Committee believes that an amount of this magnitude (adjusted as appropriate for differences in estimating methodologies) would be an appropriate allowance in the Congressional budget for the phase out of WIN and the implementation of a new welfare system during fiscal year 1989. To the extent that the Committee recommends legislation which exceeds the baseline costs, it will attempt to provide appropriate budgetary offsets. The Committee notes that the amount allowed in the budget for welfare reform should be included in the Finance Committee's allocations under section 302(a) of the Budget Act.

Other Finance Committee programs.--In general, the Committee recommends that the Budget Resolution be based on an assumption that the other programs in its jurisdiction be continued without substantive change. Two exceptions to this general rule should be noted. We recommend that the Budget Resolution accommodate a Trade Adjustment Assistance program along the lines of the Trade bill as passed by the Senate. This measure is currently pending in conference. In addition, by apparent inadvertence, the continuing resolution for fiscal year 1988 failed to fully fund the entitlement of the States under the social services block grant program. There is some question as to whether the Appropriations Committees will be able to find a mechanism to rectify this problem in the fiscal year 1988 appropriations. If not, allowance for this $50 million should be included in the fiscal year 1989 budget so that this statutory commitment can be honored. With respect to funding for the operations of the Customs Service, the Committee recommends that the budget resolution assume sufficient funding to assure at least a continuation of current levels of service.

Public Debt Limit.--The debt limit under existing law is set at $2.8 trillion. Current budget estimates project a level of debt as of the end of fiscal 1989 which is quite close to this existing limit . The Finance Committee, therefore, recommends that the Budget Resolution assume a continuation of the current $2.8 trillion level. This will avoid the triggering of new debt limit legislation when it is clear that such legislation will not be needed for the remainder of this calendar year and may not be needed until the end of the next calendar year.

As in the past, the Committee is prepared to act responsibly pursuant to the directives of the Congress contained in the concurrent resolution on the budget, working together with the other Committees of the Senate. We must emphasize, however, that the Finance Committee will insist on maintaining the flexibility to choose among all available policy options to meet its obligations under the budget process, rather than being limited to any specific set of options.

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United States Senate
COMMITTEE ON ARMED SERVICES
WASHINGTON, DC 20510-6050

March 22, 1988

Honorable Lawton Chiles
Chairman
Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Lawton and Pete:

In accordance with the provisions of Section 301(d) of the Congressional Budget Act, we are forwarding the recommendation of the Committee on Armed Services for the National Defense Function (050) for FY1989.

As you know, the President's Amended FY1989 Budget for the National Defense Function includes $299.5 billion in budget authority and $294.0 billion in outlays. This request meets the budget authority and outlay targets of last fall's Deficit Reduction Agreement exactly. The Armed Services Committee supports the level of spending proposed by the President for fiscal year 1989. The Committee reaffirms its understanding that the FY1989 National Defense spending levels in the Deficit Reduction Agreement and the FY1989 Budget represent both a ceiling and a floor. While the Deficit Reduction Agreement provides that no more than $299.5 billion in budget authority and $294.0 billion in outlays may be provided for National Defense in FY1989, our hearings to date on the FY1989 Amended Defense Authorization Request justify the agreement that Congress should not provide any less than these amounts in FY1989.

At this time the Committee is recommending a National Defense spending level only for fiscal year 1989. Because the Deficit Reduction Agreement was completed so late last year, the Defense Department has not had time to prepare a complete, revised Five Year Defense Plan that matches the reduced outyear spending levels in the FY1989 President's Budget. Many members of the Committee believe we need a prudent and sustainable level of real growth in Defense spending over the next five years. However, we realize that the President's FY1989 Budget does not meet the Gramm-Rudman-Hollings deficit goals after FY1989.

In closing, we would like to note that last fall's Deficit Reduction Agreement is an excellent example of the benefits of a two-year budget cycle. Because of this Agreement, we start this year with a consensus on the overall level of National Defense spending for the next fiscal year. This agreement will allow the authorization and appropriations processes to proceed in a more orderly and timely fashion this year. We believe that we demonstrated the potential for a two-year budget to work in the FY1988/89 National Defense Authorization Act last year, even though Congress failed to appropriate funds for the second year. Secretary Carlucci has indicated that he intends to submit another two-year budget for the Defense Department next year. Our Committee remains committed to making further progress on implementing a two-year budget for the Defense Department next year.

We look forward to working with you on the Budget Resolution in the weeks ahead.

Sincerely,

Sam Nunn
Chairman

John W. Warner
Ranking Minority Member

JOHN GLENN, OHIO, CHAIRMAN

LAWTON CHILES, FLORIDA
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LEONARD WEISS, STAFF DIRECTOR
JO ANNE BARNHART, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

March 25, 1988

The Honorable Lawton Chiles
Chairman
Committee on the Budget
United States Senate
Washington, D. C. 20510

The Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D. C. 20510

Dear Lawton and Pete:

Pursuant to Section 301 (d) of the Congressional Budget Act, I am submitting my views with respect to federal spending in the jurisdiction of the Governmental Affairs Committee.

I was not pleased with the size and scope of the spending cuts mandated by the White House-Congressional Budget Summit Agreement of November 20, 1987. The Agreement assigned the Committee the task of finding $1.7 billion in civil service and postal spending reductions over two years. I thought that this level of cuts was detrimental, and I fought a losing battle to prevent these reductions. However, they were enacted into law on December 22, 1987.

The new budget law caps Postal Service capital commitments and obligations (for example, the building of new facilities and the overhaul of existing ones). As a result, the Postal Service will have to defer about three-fifths of its fiscal year 1988 spending for such projects. In addition, the new law requires the Postal Service to save $160 million in fiscal year 1988 and $270 million in fiscal year 1989 in operating expenses.

I believe that the postal work force is dedicated to public service and is providing increasingly efficient and economical service. This record of service could be jeopardized by further budget constraints.

The new budget law also temporarily changes the lump-sum option under the Civil Service Retirement program to provide for deferred payments of the lump-sum credit for federal and postal employees choosing to take this option after January 3, 1988 and before October 1, 1989. Under the terms of the new law, an employee retiring during the remainder of fiscal year 1988 will receive 60 percent of the amount of the lump-sum credit upon retirement. The other 40 percent (plus interest) will be paid 12 months later -- one year after the date it would otherwise have been paid.

I believe that the lump-sum benefit under the Civil Service Retirement program should remain secure and that the change made in the payment of the lump-sum benefit in 1988 should not be a precedent for any such modifications in the future. I believe that it is important to maintain this benefit as a matter of public policy.

The Budget Summit Agreement contained no specific assumptions with respect to fiscal year 1989 employee pay raises. The President's budget proposes a 2 percent pay raise for federal civilian employees and a 4.3 percent for members of the uniformed services. I strongly believe that federal civilian employees should also receive a 4.3 percent pay raise.

The President's Pay Agent reported in August 1987 that federal pay lags behind comparable private sector wages by 24 percent and recommended -- in light of federal budget constraints -- an 8 percent pay raise. The Pay Agent also reported that signs of strains of the current pay system were now being seen throughout the federal government, from the recruitment and retention of clerical support to senior executives. Every year for the last 12 years, federal civilian employees have received a pay raise that has been less than the amount due to them under the Pay Comparability Act of 1970.

I believe that any recommendations put forward this year to reduce the compensation of federal workers and retirees, below the levels indicated above, should be measured against the fact that this group has shouldered a substantial amount of the deficit reduction burden in past years. Both pay and cost-of-living adjustments (COLAs) have been frozen and compensation levels reduced as part of previous budget-cutting plans.

In addition, I believe -- given that the Postal Service is facing capital and operating cuts of more than $1.2 billion over the next 19 months -- that further budget cuts in the Postal Service would be exceedingly unwise.

I appreciate this opportunity to express my views. I look forward to working with you this year.

Sincerely,

John Glenn

John Glenn
Chairman

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

March 25, 1988

The Honorable Lawton Chiles
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

The Honorable Pete Domenici
Ranking Republican Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Lawton and Pete:

As the Ranking Republican Member of the Committee on Governmental Affairs, I am submitting my views with respect to Federal spending in the Committee's jurisdiction in accordance with Section 301 of the Congressional Budget Act.

As the Ranking Member of the Committee, I am deeply concerned about the size of the Federal deficit. As in the past, I hope that the Committee will contribute to efforts to reduce Federal spending. I stand ready to help.

In an effort to reduce the deficit, I have introduced S.42, the Federal Employees' Optional Early Retirement Act. This legislation establishes a 90 day early retirement window for Federal employees and places a three year hiring freeze on the number of positions of those employees who retire during the window period. It is my understanding that some "scoring" questions remain with respect to this bill. In an effort to resolve these questions, I have submitted a revised version of the legislation to the Congressional Budget Office and I am awaiting their views.

I have also introduced S.1381, the Cash Management Improvement Act. This legislation provides a means to make more equitable the transfer of funds between the Federal government and the fifty states. According to CBO estimates, this legislation will produce Federal budget savings. This legislation was included in the Senate passed reconciliation bill last session, but unfortunately was not accepted in conference.

In addition to these two pieces of legislation, I believe the Committee could help generate deficit reduction savings through efforts to promote procurement reform and better Federal debt collection practices. As I mentioned, I stand ready to contribute to deficit reduction efforts.

Finally, I am concerned that no single group carry an unfair share of the sacrifices required and urge that reductions be evenly distributed in all areas of the budget. Any action taken this year should be seen in the light of the significant contribution already made toward deficit reduction by the Federal civilian workforce and retirees during the past decade. In this regard, I strongly believe that Federal employees and military personnel should be treated equally with regard to a pay raise.

It is vitally important that the Congress reduce the deficit through reduced spending. I believe there is ample room for deficit reduction and all Committees should share in this effort.

Sincerely,

Bill

William V. Roth, Jr.
United States Senator

EDWARD M. KENNEDY, CHAIRMAN

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United States Senate
COMMITTEE ON LABOR AND
HUMAN RESOURCES
WASHINGTON, DC 20510-6300

March 24, 1988

The Honorable Lawton Chiles
Chairman
Committee on the Budget
U.S. Senate
Washington, D.C. 20510

Dear Senator Chiles:

The attached material describes recommended changes to the CBO baseline projections in order to support high priority programs within the jurisdiction of the Committe on Labor and Human Resources. In aggregate, our proposals increase CBO baseline outlay projections by $2.2 billion in 1989, or about 4.9 percent. While we recognize it will be difficult to accomodate increases of this size within the constraints of the budget summit agreement, this request represents a unanimous judgment by the Committee's Democrats of the priority that should be placed on redressing seven years of neglect of pressing national needs. The human resources programs under this Committee's jurisdiction have been particularly penalized by the current Administration's misplaced priorities and are now far below their 1980 levels in inflation-adjusted dollars. Moreover, reductions in Labor Committee programs have been far deeper than cuts in the domestic discretionary budget as a whole.

Our request does not assume full restoration of these reductions. Rather, it focusses on a select group of high priority programs. Our projected legislative program for the remainder of the 100th Congress also assumes a number of important program restructurings and reforms that are not reflected in our budget request because they can be conducted by creative use of current resources.

In some program areas, however, additional expenditures are essential and represent good investments in our country's future or critical help for the most needy members or our society. Accordingly, as specified in the attached material, we are requesting significant increases to support new initiatives and expansions of existing programs in the areas of education, child care and early childhood development. Failure to invest in our young people today will inevitably mean a bleaker future for America tomorrow.

We are also requesting moderately expanded funding for biomedical research. Most of the requested increases in this area represent funds necessary to maintain the current levels of research supported by the NIH, since the CBO baseline understates the actual inflation in the cost of research. Biomedical research is an area in which the United States is the acknowledged world leader; we can only maintain that preeminence, with all it implies for the economic future and good health of the American people, if we are willing to commit the necessary resources to research.

We are also requesting substantial additional funding above the CBO baseline for AIDS research, prevention and treatment. The Committee's request is $250 million above the President's budget, because of need to put more resources into community care programs for the victims of AIDs and to invest more heavily in preventing the spread of AIDS among drug addicts. If we fail to adequately fund AIDS research and prevention programs, we will pay an immense human and financial price.

We are requesting modest additional funding for services to the most needy members of our society, including the handicapped, expectant mothers needing cost-effective prenatal care, and the mentally ill.

Finally we are requesting expanded funding for training programs necessary to assure American workers a fair chance for a productive and rewarding life.

We recognize that it will be difficult to accomodate these increases within the constraints on domestic expenditures imposed by the budget summit. Nonetheless, we believe that these programs are of sufficient national priority that every attempt to accommodate the requested increases should be made within the overall spending limits.

Sincerely,

Edward M. Kennedy
Chairman

Claiborne Pell

Howard M. Metzenbaum

Chris Dodd
Christopher J. Dodd

Tom Harkin
Tom Harkin

Barbara A. Mikulski
Barbara A. Mikulski

Spark M. Matsunaga
Spark M. Matsunaga

Paul Simon

Brock Adams
Brock Adams

Committee on Labor and Human Resources

NARRATIVE STATEMENT ON RECOMMENDED SPENDING LEVELS

I. Education

Proposal A: Expanded Student Financial Assistance. This proposal would expand the budget authority for the Pell grant program by $600 million in order to allow an increase in the maximum grant to $2,400. The proposal also includes a $100 million increase in the Supplemental Education Opportunity Grant Program and a $25 million increase in the TRIO programs, which provide supportive services to disadvantaged students to encourage college study. These three program expansions are essential if our society is to provide adequate opportunities for disadvantaged youth and to reap the benefit of human potential that would otherwise go untapped.

Proposal B: School Improvement Programs. These requested increases provide modest but important investments in key aspects of elementary and secondary education, including $25 million for the Dropout Prevention Program, $75 million for the Math and Science Program, and a $50 million increase for Magnet Schools.

Proposal C: Compensatory Education for the disadvantaged. These requested increases provide a $500 million budget authority increase in the Current Chapter I program and a new $100 million budget authority for a Basic Skills for Secondary Students program.

II. Children and the Family

Proposal D: Child care, child abuse, and early childhood education. Between now and the year 2000, America faces unparalleled demographic and economic changes which will place unique pressures on the American family. Our shared response to these problems will largely determine whether we have the stable and productive workforce necessary to meet the economic challenges of the future.

For new child care, child abuse, and early childhood development programs, we recommend $1 billion each year for five years. Specifically, we plan critical child care and early childhood education initiatives which will provide federal assistance and incentives for the improvement and expansion of child care services. We also anticipate the need for a very small amount of funds to enforce new unpaid parental leave policies and a small but necessary increase in funding to conduct programs authorized by the Child Abuse Prevention and Treatment Act Amendments of 1988. Finally, we believe it is absolutely essential to expand federal early childhood development programs, including a $102 million increase to bring Head Start to its fully authorized level and to begin a new Comprehensive Child Development Center initiative.

Although we have not proposed to raise the funds available for the LIHEAP program above the current services level, the Committee would like to note its strong objection to any proposals to cut LIHEAP below current services. The LIHEAP program provides critical assistance to low income families to help them meet their most basic energy needs. Given that this program was cut drastically during the appropriations process for fiscal year 1988, we believe it is essential to maintain current services appropriations for LIHEAP if no increase in funds is possible.

III. Health

Proposal E: Maintain NIH and ADAMHA biomedical research effort. Maintaining at least the current level of services for biomedical research is essential to the United States' continued pre-eminence in this area of scientific research. Because the CBO inflation factor understates the increase necessary to maintain the current level of research, this request incorporates the higher (13 per cent) level of inflation estimated by the NIH. In addition, because of the high cost of these diseases and the opportunity for significant progress, increases of an additional three per cent are included for the Heart and Cancer institutes. Several additional initiatives should have priority and are included in this request: facilities construction, bioethics centers, and a new intramural center for rehabilitation research.

Proposal F: AIDS research, prevention and treatment. This request provides a $350 million increase over the President's budget for AIDS. The great bulk of the increase is for programs for intravenous drug abusers, reflecting the recent recommendations of the President's Commission on AIDS as to the need for a vastly increased treatment effort for this population, the main avenue of disease transmission into the heterosexual population. In addition, funds are requested to help build community treatment programs for AIDS victims. Such programs are essential if cost-effective and humane treatment is to be provided, but they do not exist in most communities.

Proposal G: Restore funding for community health centers, emphasize efforts to combat infant mortality, increase Alcohol, Drug Abuse, and Mental Health block grant. The requested increases would restore the cuts in the Community Health Centers Program over the last three years, representing the urgent need to provide services to the growing number of uninsured Americans. Funds for community health centers would be targetted on reducing infant mortality, one of the worst health problems afflicting poor Americans. The requested funding will also provide a modest increase for the ADMS block grant, representing the continued priority that the nation places on combatting substance abuse and the need to cushion the impact on some states of a new distribution formula for block grant funds contained in both the Senate and House reauthorization bills.

IV. Handicapped

Proposal H: Meet Federal commitments for education of the handicapped. For Education of the Handicapped, we recommend an increase of $190 million over the baseline. This increase is consistent with programmatic changes made by reauthorization of the Education of the Handicapped Act in 1986. These changes included the establishment of an early intervention program for handicapped infants from birth through age two, and the enhancement of services for preschool handicapped children from ages three through five. In order to maintain the new federal commitments made by Congress, increases in funding for these two initiatives are essential. In addition, our recommendation includes sufficient funds to increase the federal share of the average per pupil expenditure for educating handicapped children by roughly three-fourths of one percent -- from roughly 8 to 8.75 percent. The authorized federal share of the cost for educating these students is 40 percent of the average per pupil expenditure -- a commitment the federal government has never fulfilled.

Proposal I: Enhance Federal support for vocational rehabilitation and developmental disabilities programs. For Vocational Rehabilitation, we propose an increase of $125 million over the baseline. This amount reflects the fully authorized amount for the rehabilitation state grant, and the Rehabilitation Act Amendments of 1986. Rehabilitation programs are of proven cost-effectiveness, with individuals successfully rehabilitated and placed into jobs becoming taxpayers, rather than tax-users.

For Developmental Disabilities, we propose an increase of $14 million over CBO baseline. This increase reflects programmatic changes made by reauthorization last year of the

Developmental Disabilities Assistance and Bill of Rights Act, and is the fully authorized amount.

VI. Employment and Training

Proposal J: Address the needs of unemployed workers and youths. The funds included in this proposal would provide for modest increases in the block grant program under the JTPA, the summer youth program, and the Job Corps, and would fund the new youth employment services bill, when enacted.

Proposal H: Fund the worker adjustment assistance program included in the trade bill. The worker adjustment and assistance program included in the trade bill provides for funds to assist workers displaced by imports. This proposal would fund that program at the authorization levels passed by the Senate.

Committee on Labor and Human Resources
($ in millions)

BASELINE	**1989**
BA	47,832
O	44,271

Major New Initiatives[1]

I. EDUCATION

Proposal A: Expanded student financial assistance

BA	765
O	137

Proposal B: School improvement programs

BA	185
O	22

Proposal C: Compensatory education for the disadvantaged

BA	600
O	72

subtotal, education

BA	1,550
O	509

II. CHILDREN & FAMILY

Proposal D: Child care, child abuse, and early childhood education

BA	1,000
O	350

III. HEALTH

Proposal E: Maintain NIH biomedical research effort

BA	787
O	322

Proposal F: Expand AIDS research, education, prevention and treatment efforts

BA	555
O	322

Proposal G: Restore funding for community health centers, emphasize efforts to cut infant mortality, increase Alcohol, Drug Abuse, and Mental health block grant	
BA	120
O	75
subtotal, health	
BA	1,462
O	850

IV. HANDICAPPED

Proposal H: Meet federal commitments for education of the handicapped	
BA	190
O	23
Proposal I: Enhance federal support for routine rehabilitation & developmental disabilities program	
BA	139
O	104
subtotal, handicapped	
BA	329
O	127

V. EMPLOYMENT AND TRAINING

Proposal J: Address the needs of unemployed adult workers and youths	
BA	326
O	185
Proposal H: Fund the displaced workers program included in the trade bill	
BA	601
O	181
subtotal, employment and training	
BA	927
O	366

Total, major new initiatives	
BA	5,268
O	2,202

1) FY 1989 major new initiatives are assumed to increase at current services levels in subsequent years

WENDELL H. FORD, KENTUCKY, CHAIRMAN

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WAYNE A. SCHLEY, REPUBLICAN STAFF DIRECTOR

United States Senate
COMMITTEE ON
RULES AND ADMINISTRATION
WASHINGTON, DC 20510-6325

March 25, 1988

The Honorable Lawton Chiles, Chairman
The Honorable Pete V. Domenici, Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D. C. 20510-6100

Dear Lawton and Pete:

This transmits the "views and estimates" of the Committee on Rules and Administration required by the Congressional Budget Act. The recommended levels for programs within the authorizing jurisdiction of the Committee are set forth on Attachment A.

Sincerely,

Ted Stevens
Ranking Minority Member

Wendell H. Ford
Chairman

Attachment A

COMMITTEE ON RULES AND ADMINISTRATION
SPENDING LEVELS
(in billions of dollars)

		1988	1989	1990	1991	1992	1993
Baseline (See Note 1)	BA	1.2	1.3	1.3	1.4	1.4	1.5
	O	1.3	1.2	1.3	1.4	1.5	1.4
Additional Accounts (See Note 2)	BA	0.7	0.7	0.8	0.7	0.8	0.8
	O	0.7	0.7	0.7	0.7	0.8	0.8
New Programs:							
1. Replacement of Senate subway.	BA	0.0	*	0.0	0.0	0.0	0.0
	O	0.0	*	0.0	0.0	0.0	0.0
2. Air and Space Museum at Dulles Airport. Planning money only. S.1790. (See Note 3.)	BA	0.0	*	0.0	0.0	0.0	0.0
	O	0.0	*	0.0	0.0	0.0	0.0
Total	BA	1.9	2.0	2.1	2.1	2.2	2.3
	O	2.0	1.9	2.0	2.1	2.3	2.2

*-Under $500 million.

Note 1. As set forth in CBO account listing transmitted with Budget Committee letter dated February 29, 1988.

Note 2. Amounts for accounts omitted from CBO list referenced in Note 1. Amounts are CBO baseline, where available, and the President's recommended level otherwise. Such accounts are identified in Attachment B by a single asterisk following the account title when CBO baseline estimates are used and by a double asterisk when the President's recommendations are used. Almost all of the additional amount is the total for the House of Representatives. The House amount is included only to provide complete totals; traditionally, neither body recommends new initiatives or savings in the other.

Note 3. In Attachment B, these accounts are identified with three asterisks to the right of the account name.

COMMITTE ON RULES AND ADMINISTRATION

			1987	1988	1989	1990	1991	1992	1993
LEGISLATIVE BRANCH									
SENATE									
Compensation of Senators		BA	9,776	10,800	11,256	11,743	12,227	12,731	13,256
		O	9,717	10,800	11,256	11,743	12,227	12,731	13,256
Mileage of the Vice President and Senators		BA	60	60	62	65	68	70	73
		O	60	48	50	52	54	56	58
Expense allowances of the Vice President, et al.		BA	73	56	58	61	63	66	68
		O	58	56	58	61	63	66	68
Representation allowances for Leaders		BA	3	20	21	22	23	24	25
		O	0	20	21	22	23	24	25
Salaries, officers and employees		BA	188,814	196,197	208,557	218,956	229,354	240,145	251,525
		O	177,307	184,424	196,044	205,819	215,593	225,736	236,434
Payments to widows and heirs	**	BA	165	0	0	0	0	0	0
		O	165	0	0	0	0	0	0
Miscellaneous items		BA	13,165	10,183	10,825	11,364	11,904	12,464	13,055
		O	16,052	10,183	10,825	11,364	11,904	12,464	13,055
Secretary of the Senate		BA	666	666	708	743	779	815	854
		O	543	661	658	741	776	813	851
Sergeant at Arms		BA	64,620	68,021	70,742	73,667	76,592	79,721	82,918
		O	54,267	61,219	63,668	66,300	68,933	71,749	74,626
Inquiries and investigations		BA	55,141	57,161	60,762	63,792	66,821	69,965	73,280
		O	49,972	54,303	57,724	60,602	63,480	66,467	69,616
International Narcotics Caucus		BA	325	325	345	363	380	398	417
		O	300	293	311	327	343	359	376
Senators' personnel and office expenses	NI	BA	0	0	NI	NI	NI	NI	NI
		O	0	0	NI	NI	NI	NI	NI
Stationery (revolving fund)		BA	13	13	14	14	15	15	16
		O	52	13	14	14	15	15	16
Legal Counsel	*	BA	593	633	673	706	740	775	812
		O	444	475	505	530	555	581	609
Expense allowances of the Secretary and the Sergeant at Arms		BA	12	12	12	13	14	14	15
		O	10	7	7	8	8	8	9
Senate policy committees		BA	2,081	2,203	2,342	2,459	2,575	2,696	2,824
		O	1,661	1,873	1,991	2,090	2,189	2,292	2,400
Legislative Counsel		BA	1,561	1,764	1,875	1,969	2,062	2,159	2,261
		O	1,426	1,676	1,781	1,671	1,959	2,051	2,148
Senate use of foreign currency	**	BA	1,100	0	0	0	0	0	0
		O	1,044	0	0	0	0	0	0
Recording studio	**	BA	0	0	0	0	0	0	0
		O	55	0	0	0	0	0	0

			1987	1988	1989	1990	1991	1992	1993
Senate barber shops	**	BA	0	0	0	0	0	0	0
		O	(6)	0	0	0	0	0	0
Total, Senate		BA	338,160	348,114	368,252	385,937	403,617	422,058	441,399
		O	313,127	326,051	344,913	361,544	378,122	395,412	413,547
HOUSE OF REPRESENTATIVES									
Total, House of Representatives	*	BA	564,043	567,397	599,390	627,800	656,196	685,825	716,873
		O	493,528	537,001	567,767	594,657	621,533	649,575	678,960
JOINT ITEMS									
Capitol Guide Service		BA	1,021	1,137	1,209	1,260	1,329	1,392	1,458
		O	902	1,023	1,088	1,142	1,196	1,253	1,312
Joint Committee on Printing		BA	963	1,037	1,102	1,157	1,212	1,269	1,329
		O	909	934	993	1,042	1,092	1,143	1,197
Joint Economic Committee		BA	2,966	3,179	3,379	3,540	3,716	3,891	4,075
		O	2,397	3,020	3,210	3,371	3,530	3,696	3,871
Attending Physician		BA	1,298	1,493	1,553	1,617	1,681	1,750	1,820
		O	291	599	623	648	674	702	730
Joint Committee on Taxation		BA	4,159	4,219	4,460	4,666	4,872	5,087	5,312
		O	4,167	4,008	4,237	4,433	4,628	4,833	5,046
Capitol police		BA	1,881	1,734	1,803	1,878	1,952	2,032	2,114
		O	1,447	1,472	1,531	1,594	1,657	1,725	1,795
Statements of appropriations		BA	20	19	20	21	21	22	23
		O	0	20	19	20	21	21	22
Official mail costs		BA	91,423	82,163	85,450	88,983	92,516	96,295	100,157
		O	73,053	82,163	85,450	88,983	92,516	96,295	100,157
Total, Joint Items		BA	103,731	94,981	98,976	103,139	107,299	111,738	116,288
		O	83,166	93,239	97,151	101,233	105,314	109,658	114,130
ARCHITECT OF THE CAPITOL									
Salaries and expenses		BA	5,478	5,925	6,298	6,612	6,926	7,252	7,596
		O	5,064	5,672	6,264	6,585	6,898	7,223	7,565
Contingent expenses		BA	50	48	50	52	54	56	59
		O	143	166	50	52	54	56	59
Acquisition of property as an addition to the Capitol grounds	**	BA	0	0	0	0	0	0	0
		O	32	0	0	0	0	0	0
Capitol buildings		BA	12,325	12,793	13,504	14,141	14,778	15,444	16,141
		O	12,093	17,562	17,278	17,389	14,653	15,314	16,006
Alterations and improvements		BA	0	0	0	0	0	0	0
		O	110	250	250	287	327	0	0
Capitol grounds		BA	3,290	3,404	3,602	3,776	3,949	4,130	4,320
		O	3,682	3,520	3,948	3,747	3,920	4,099	4,288
West central front of the Capitol		BA	0	0	0	0	0	0	0
		O	6,493	2,700	6,100	4,600	14,800	0	0

			1987	1988	1989	1990	1991	1992	1993
Congressional cemetery	*	BA	0	0	0	0	0	0	0
		0	105	18	0	0	0	0	0
Construction of an extension to the New Senate Office Building		BA	0	0	0	0	0	0	0
		0	808	459	0	0	0	0	0
Senate office buildings		BA	25,903	23,265	24,591	25,763	26,936	28,161	29,443
		0	21,674	29,218	25,352	25,454	26,626	27,837	29,105
House office buildings		BA	26,138	30,547	32,247	33,768	35,289	36,881	38,545
		0	23,368	28,873	31,755	33,328	34,849	36,421	38,064
Acquisition of property	*	BA	0	0	0	0	0	0	0
		0	0	64	0	0	0	0	0
Installation of solar collectors House office buildings	*	BA	0	0	0	0	0	0	0
		0	0	47	0	0	0	0	0
Capitol Power Plant		BA	24,716	24,583	25,652	26,746	27,840	29,004	30,201
		0	22,679	26,387	25,503	26,593	27,686	28,841	30,034
Expansion of facilities, Capitol Power Plant		BA	0	0	0	0	0	0	0
		0	0	54	0	0	0	0	0
Modifications and enlargement Capitol Power Plant		BA	0	0	0	0	0	0	0
		0	157	200	402	0	0	0	0
Structural and mechanical care Library buildings and grounds		BA	6,260	6,741	7,134	7,478	7,822	8,180	8,556
		0	12,436	17,672	27,714	16,610	37,655	8,110	8,482
House restaurant fund	*	BA	0	0	0	0	0	0	0
		0	76	661	0	0	0	0	0
Senate restaurant fund	*	BA	0	0	0	0	0	0	0
		0	221	282	0	0	0	0	0
Replacement of Senate subway	***	BA	0	0	10,000	0	0	0	0
		0	0	0	10,000	0	0	0	0
Total, Architect of the Capitol		BA	104,160	107,306	123,078	118,336	123,594	129,108	134,861
		0	109,141	133,805	154,616	134,645	167,468	127,901	133,603
LIBRARY OF CONGRESS									
Salaries and expenses		BA	134,850	138,866	146,602	153,300	159,999	167,010	174,367
		0	124,878	137,784	144,969	151,630	158,391	165,346	172,622
Copyright Office	*	BA	10,306	11,280	11,787	12,336	12,885	13,458	14,062
		0	9,388	11,182	11,744	12,289	12,839	13,409	14,011
Congressional Research Service		BA	40,434	43,022	45,545	47,663	49,780	51,988	54,316
		0	38,088	43,763	45,303	47,459	49,577	51,776	54,093
Books for the blind and physically handicapped		BA	36,099	36,186	37,728	39,316	40,904	42,595	44,332
		0	33,813	35,764	36,948	38,368	39,951	41,592	43,294
Collection and distribution of library materials		BA	390	0	0	0	0	0	0
		0	809	564	0	0	0	0	0
Furniture and furnishings		BA	5,070	5,816	6,056	6,308	6,560	6,830	7,106
		0	1,335	3,747	6,122	6,184	6,436	6,699	6,970

			1987	1988	1989	1990	1991	1992	1993
Speaker's Civic Achievement	**	BA	0	0	680	680	680	680	680
Awards Program		0	0	0	680	680	680	680	680
Oliver Wendell Holmes		BA	0	4	4	4	3	3	3
devise fund		0	0	9	9	9	9	9	9
Payments to copy-	*	BA	71,304	71,257	71,412	72,000	72,000	72,000	72,000
right owners		0	154,787	133,265	71,412	72,000	72,000	72,000	72,000
Gift and trust fund accounts		BA	7,485	6,625	7,536	6,927	6,927	6,927	6,927
		0	6,828	8,559	7,688	6,927	6,927	6,927	6,927
Total, Library of Congress		BA	305,938	313,056	327,350	338,534	349,738	361,491	373,793
		0	369,921	374,637	324,875	335,546	346,810	358,438	370,606
GOVERNMENT PRINTING OFFICE									
Superintendent		BA	22,385	19,162	20,013	20,865	21,717	22,623	23,556
of Documents		0	19,906	19,476	19,681	20,542	21,394	22,280	23,202
Printing and binding		BA	10,700	0	0	0	0	0	0
		0	8,620	3,866	500	0	0	0	0
Congressional printing		BA	62,000	70,359	73,173	76,199	79,224	82,461	85,768
and binding		0	62,446	69,437	78,724	75,312	78,317	81,511	84,782
GPO revolving fund		BA	0	0	0	0	0	0	0
		0	3,904	2,008	3,234	0	0	0	0
Total, Government		BA	95,085	89,521	93,186	97,064	100,941	105,084	109,324
Printing Office		0	94,876	94,787	102,139	95,854	99,711	103,791	107,984
OTHER LEGISLATIVE BRANCH ACCOUNTS									
Congressional	*	BA	17,783	17,886	18,887	19,781	20,674	21,609	22,586
Budget Office		0	16,423	18,031	18,787	19,692	20,585	21,515	22,488
Botanic Garden		BA	2,135	2,221	2,356	2,472	2,588	2,703	2,835
		0	1,990	2,205	2,342	2,461	2,576	2,696	2,823
International conferences	*	BA	0	290	290	290	290	290	290
and contingencies		0	0	290	290	290	290	290	290
Office of Technology	*	BA	16,636	16,901	17,815	18,646	19,476	20,347	21,255
Assessment		0	15,600	17,491	17,586	18,439	19,268	20,129	21,078
Contributions and	*	BA	3	3	3	3	4	4	4
donations to OTA		0	4	3	3	3	4	4	4
Charges for services to	*	BA	(3,769)	(2,200)	(2,200)	(2,736)	(3,283)	(3,940)	(4,728)
public enterprise funds		0	(3,769)	(2,200)	(2,200)	(2,736)	(3,283)	(3,940)	(4,728)
Interest on investments	*	BA	(1,989)	(2,004)	(2,004)	(2,004)	(2,003)	(2,003)	(2,003)
in public debt securities		0	(1,989)	(2,004)	(2,004)	(2,004)	(2,003)	(2,003)	(2,003)
Offsets, Library of	*	BA	(4,622)	(4,773)	(5,693)	(5,150)	(5,150)	(5,150)	(5,150)
Congress Trust Funds		0	(4,622)	(4,773)	(5,693)	(5,150)	(5,150)	(5,150)	(5,150)
Offsets, income from	*	BA	(166)	(249)	(150)	(125)	(125)	(125)	(125)
donated securities		0	(166)	(249)	(150)	(125)	(125)	(125)	(125)

		1987	1988	1989	1990	1991	1992	1993
Total, Other Legislative Branch Accounts	BA	26,011	28,075	29,304	31,177	32,471	33,740	34,964
	0	23,471	28,794	28,961	30,870	32,162	33,416	34,627
DEPARTMENT OF THE TREASURY								
Presidential election campaign fund	BA	33,179	41,000	40,000	40,000	41,000	43,000	42,000
	0	17,384	150,383	7,231	55	20,800	153,139	4,672
SMITHSONIAN INSTITUTION								
Salaries and expenses	BA	188,974	201,432	212,311	221,913	231,515	241,587	252,129
	0	181,213	199,974	211,039	220,789	230,392	240,408	250,896
Museum programs and related research	BA	0	0	0	0	0	0	0
	0	2,506	1,402	2,000	2,000	2,000	2,000	1,436
National Zoological Park	BA	2,500	8,150	8,476	8,826	9,177	9,552	9,935
	0	4,454	5,752	6,855	8,550	8,895	9,255	9,629
Repair and restoration of buildings	BA	12,975	19,254	20,024	20,852	21,680	22,566	23,471
	0	7,775	14,928	17,652	19,841	20,910	21,758	22,635
Construction	BA	6,095	1,315	1,368	1,424	1,481	1,541	1,603
	0	8,829	4,183	1,336	1,391	1,446	1,505	1,566
National Gallery of Art	BA	35,427	37,352	39,354	41,129	42,904	44,767	46,716
	0	32,955	37,077	39,067	40,876	42,650	44,500	46,438
Repair, restoration, and renovation of buildings	* BA	2,400	0	0	0	0	0	0
	0	977	2,770	1,200	0	0	0	0
Wilson Center	BA	3,362	4,028	4,222	4,406	4,590	4,785	4,987
	0	3,119	3,771	4,147	4,335	4,519	4,710	4,909
Payment to the endowment challenge fund	BA	0	0	0	0	0	0	0
	0	189	497	308	0	0	0	0
Endowment challenge fund	BA	0	50	60	200	200	200	200
	0	0	50	60	200	200	200	200
Canal Zone biological area fund	BA	145	150	150	150	150	150	150
	0	129	130	130	150	150	150	150
Charges for services to trust funds	* BA	0	(4)	(4)	(4)	(4)	(4)	(4)
	0	0	(4)	(4)	(4)	(4)	(4)	(4)
Research and general education aids	* BA	0	(497)	(658)	0	0	0	0
	0	0	(497)	(658)	0	0	0	0
Planning for an air and space museum at Dulles Airport	*** BA	0	0	1,000	0	0	0	0
	0	0	0	1,000	0	0	0	0
Total, Smithsonian Institution	BA	251,879	271,230	286,303	298,896	311,693	325,144	339,187
	0	242,146	270,033	284,132	298,128	311,158	324,482	337,855
OTHER AGENCIES								
Commission of Fine Arts: Salaries and expenses	* BA	450	443	467	489	510	532	556
	0	375	443	465	487	508	530	554
Commission of Fine Arts: National capital affairs	* BA	4,000	4,500	4,680	4,874	5,067	5,274	5,486
	0	4,015	4,500	4,680	4,874	5,067	5,274	5,486

		1987	1988	1989	1990	1991	1992	1993
Federal Election Commission	BA	12,883	14,174	14,951	15,630	16,310	17,022	17,768
	0	12,722	14,037	14,873	15,562	16,242	16,951	17,693
FDR Memorial Commission	BA	5	28	29	30	32	33	34
	0	23	28	29	30	31	33	34
Total, Other Agencies	BA	17,338	19,145	20,127	21,023	21,919	22,861	23,844
	0	17,135	19,008	20,047	20,953	21,848	22,788	23,767
Total	BA	1,839,532	1,879,825	1,985,966	2,069,906	2,148,468	2,240,049	2,332,533
	0	1,763,895	2,027,738	1,931,832	1,973,485	2,104,926	2,278,610	2,219,751

*-Omitted from list attached to Budget Committee letter dated 2/29/88. CBO baseline used.
**-Omitted from list attached to Budget Committee letter and from baseline. President's recommendation used.
***-New programs.
&1-Included in the account "Salaries, officers,and employees".

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United States Senate
COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510-6350

March 23, 1988

The Honorable Lawton Chiles
Chairman
Committee on the Budget
U. S. Senate
Washington, D. C. 20510

Dear Lawton:

We are pleased to share with you and other members of the Budget Committee our views on the President's proposed budget for the Small Business Administration for FY 1989, as required by the Budget Act. The Small Business Committee held a hearing on the President's budget request on March 22, 1988, and we had a thorough exchange of views with our former colleague, Administrator Jim Abdnor.

On a positive note, we are pleased that the President has requested funding for most SBA lending, management assistance, and procurement assistance programs. We differ strongly, however, with virtually all of the proposed reductions in programs. We take particular exception to the proposed elimination of the meager direct lending programs for the handicapped, Vietnam Veterans and Minority Enterprise Small Business Investment Companies. These programs are fully utilized, and there is no evidence that the private sector or other federal programs would be adequate to meet the gap which exists in the availability of credit for these severely disadvantaged groups.

Second, we reject the assertion that interest rates should be substantially increased for victims of natural disasters who receive SBA disaster loans for homes and businesses. Furthermore, the proposal to reduce funding and to phase out funding for the Small Business Development Center (SBDC) program is ill-advised. This program has provided small businesses with important management and technical assistance. Federal support for this program is important and necessary.

The Administration has proposed a wide variety of user fees and increased loan guaranty fees. Last year, members of the Committee so strongly opposed a similar proposal that an amendment was placed on the appropriations measure restricting SBA from imposing any new or increased user fees. Although we are hesitant to say that all user fees are inappropriate, suffice it to say that the large dollar items, primarily increased loan guaranty fees, are unacceptable to the Committee.

The Administration's proposal to transfer the Minority Business Development Agency from the Commerce Department to SBA has met with a mixed reception in Congress. While we are personally inclined to give the proposal consideration, other members of the committee have expressed opposition, and Senator Kerry has introduced legislation to give statutory authorization to MBDA at Commerce. The budget savings from this plan are unclear, but the plan does offer some possibility of increased resources for SBA's minority business development program, which is a very high priority for the Committee to be discussed later.

The Administration has once again proposed wide-ranging sales of SBA's loan portfolios. A similar proposal last year was unacceptable to the Committee and was prohibited by an amendment which we placed on the Commerce-Justice appropriations bill. The primary difference in this year's proposal is that SBA has procured an opinion from a major Wall Street investment banking firm to the effect that Mr. Stockman's previous calculations--which generally ranged from 14 cents to 49 cents on the dollar of face value--had drastically understated the price likely to be received from the sale of SBA general business, disaster and development company loans to investors. We would simply remind the Budget Committee of the testimony of Chairman Alan Greenspan before your committee in opposition to asset sales as a means of deficit reduction.

In the area of "new initiatives" of which we are required to apprise the Budget Committee, the SBA minority business development program, often referred to as the Section 8(a) program, is foremost in our thinking. Our Committee has held three days of hearings on S. 1993, which we introduced with Senator Kerry last December. We intend to report the bill in April. This bill will make absolutely essential reforms in the program.

As everyone knows, the appalling specter of the Wedtech scandal--the enormity of which continues to unfold--has undermined the credibility of SBA's and all government programs for minority business. Our bill will make the program more beneficial for participating businesses, while also limiting possibilities for further corruption of the political process. It is essential, however, that SBA have adequate resources for personnel who are qualified to lend bona fide assistance to growing minority-owned businesses. This program, more than most, has suffered from the severe budget constraints in recent years, and we are determined to make the resources available so SBA's minority business development program is more than an empty promise or an opportunity for abuse.

A second piece of legislation before the Committee might be considered both a new initiative and a deficit-reduction measure. That is S. 1929, which will create the Corporation for Small Business Investment (Cosbi) as the new vehicle for funding the

Small Business Investment Company program (including Minority Enterprise Small Business Investment Companies). This bill will produce major budget savings, which have yet to be calculated with precision, through the purchase by Cosbi of the approximately $700 million portfolio of SBA-guaranteed SBIC debentures now held by the Federal Financing Bank. Moreover, turning over the day-to-day management and administration of the SBIC program to Cosbi will allow for substantial savings in SBA's Finance and Investment Division. This bill constitutes true privatization in an area where it is appropriate, and it offers great promise for making adequate and affordable venture capital available to our Nation's small businesses.

We urge you and other members of the Budget Committee to carefully examine S. 1929 and to join us and our thirteen other cosponsors in working toward enactment of Cosbi.

Sincerely,

Dale

Lowell Weicker, Jr.
Ranking Minority Member

Dale Bumpers
Chairman

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United States Senate
COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

March 25, 1988

Honorable Lawton Chiles
Chairman
Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D. C. 20510

Dear Lawton and Pete,

Pursuant to section 301(c) of the Congressional Budget Act of 1974, and the unanimous approval of the Committee on Veterans' Affairs at a March 17, 1988, meeting, our Committee is hereby reporting to the Committee on the Budget our views and estimates with respect to the FY 1989 budget for veterans' programs within the jurisdiction of our Committee. This report comprises our Committee's recommendations with regard to programs included in Function 700 (Veterans' Benefits and Services) and certain programs included in Function 500 (Education, Training, Employment, and Social Services).

We have very carefully reviewed the Administration's FY 1989 budget for veterans' programs and the testimony at our March 4 hearing of representatives of the Veterans' Administration, the Department of Labor, veterans' service organizations, and the housing/real estate industry. In addition, we have had the benefit of the February 1988 "Independent Budget by Veterans for Veterans' Programs", prepared jointly by the AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and Veterans of Foreign Wars. That cooperative effort provided valuable insight into the concerns and priorities of a very significant portion of our Nation's veterans, and the Committee's recommendations are in line with the priorities set forth in the Independent Budget.

In preparing our recommendations, we have given great weight to the urgent need to control federal spending in order to reduce the towering federal debt. However, we also strongly believe that deficit-reduction efforts must be undertaken in a manner that is fair to our Nation's veterans and consistent with our obligations to those who have served and made great sacrifices to keep our Nation free and strong.

Against this background, our Committee is recommending what is essentially a current-services budget that provides for the activation of newly-constructed medical facilities scheduled to come on line in FY 1989 and for selected, forward-looking initiatives as well as equitable and feasible cost savings.

Specifically, we are recommending Function 700 totals of $29.292 billion in budget authority (BA) and $28.737 billion in outlays. These amounts are $161.8 million in BA and $133.9 million in outlays over the Congressional Budget Office (CBO) baseline and $302.5 million in BA and $304.1 million in outlays less than is provided for in the President's FY 1989 budget, as reestimated by the CBO. 1/ We note that when the President's March 17, 1988, supplemental budget request of $1,049,100,000 for FY 1988 is factored in, the President's actual request for FY 1989 (minus the $1.1 billion "credit reform" request) is $171 million in BA less than the comparable FY 1988 amounts and only $146 million in outlays more than those amounts.

Our specific views are reflected in the enclosed description of our recommendations and the accompanying tables. The tables indicate, account by account, the CBO baseline, the amounts requested in the Administration's budget (as reestimated), the changes we are proposing, and the differences between our recommendations, the Administration request, and the CBO baseline for each account shown.

With respect to VA medical programs (medical care, medical and prosthetic research, medical administration and miscellaneous operating expenses, and construction accounts), we are recommending $435.4 million in BA and $337.9 million in outlays over the Administration's budget as reestimated ($84.6 million and $78.2 million, respectively, over the CBO baseline) in order to support a total of 198,275 FTEE (5,917 FTEE above the Administration's request). These accounts are intended to maintain the FY 1988-authorized level of services and staffing (194,140 FTEE) and to support new activations. We also provide for modest program growth in carefully-selected, cost-effective programs as well as in high priority areas. Our emphases are in the areas of extended care in VA, State Home, and community-based facilities and in programs that provide alternatives to institutional care, AIDS and drug-abuse treatment and research, other high priority research, safe medication dispensing through conversion to a unit-dose system, homeless veteran care, and quality assurance.

With respect to veterans' benefits programs, the Committee believes that past staffing reductions in the Department of

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1/ This difference between the Committee's recommendations and the President's budget is explained by the Committee's rejection of the $1.1 billion requested to implement the Administration's "credit reform" proposal. When that amount is deleted from the budget request, our recommendations are $788 million in BA and $676 million in outlays over the President's proposed funding levels.

Veterans' Benefits (DVB) -- averaging 500 FTEE in each of the past eight fiscal years -- have contributed to the substantial financial problems now confronting the loan guaranty program and to preventing timely provision of other DVB benefits and services. We are recommending funding virtually equivalent to the CBO baseline for the General Operating Expenses (GOE) account in order to restore the 492 FTEE proposed to be cut in the President's budget and to add (1) 140 more FTEE for the loan guaranty program, (2) 55 more FTEE for vocational rehabilitation and counseling programs, and (3) 141 more FTEE for general claims processing enhancements and other improvements in DVB and the Board of Veterans Appeals. Our recommended funding levels for the GOE account are $45 million in BA and $41.4 million in outlays over the President's budget as reestimated.

Subsequent to its March 17 meeting, the Committee received information from the VA indicating that the newly-provided veteran status for Merchant Marines will result in increased health-care costs of $27.1 million and increased compensation, pension, and survivor benefits payments totaling $58 million in FY 1989. The Committee's budget recommendations, as is the case with the Administration budget and the CBO baseline, do not provide any additional funding or FTEE to meet those increases. The Committee assumes that additional funding for these increased benefits payments would have to be provided since they would be part of entitlement programs. With respect to the medical care account costs, the Committee is convinced that this amount cannot be absorbed within the account and believes this new, additional demand underscores the importance of the additional funding the Committee has recommended for this account.

In Subfunction 701, we are recommending $400.1 million in BA and $360.5 million in outlays for FY 1989 cost-of-living adjustments (COLAs) in compensation and dependency and indemnity compensation as proposed in S. 2011. Further, we recommend funding for COLAs for three special service-connected benefits and for legislation to provide compensation and death benefits for veterans (and survivors of such veterans) who were exposed to ionizing radiation from atmospheric nuclear detonations, as these provisions have been passed by the Senate or agreed to in the context of a House-Senate compromise (H.R. 1811, H.R. 2616, and S. 9).

We also are recommending funding in Function 500 for restoration of 260 FTEE for the Local Veterans' Employment Representatives program and for continuation of the Department of Labor's Homeless Veterans' Reintegration Projects authorized under the Stewart B. McKinney Homeless Assistance Act of 1987 (Public Law 100-77).

The Committee's recommendations also include savings from legislation which would give the VA access to certain tax data in order to verify income information reported by VA pensioners. The Congressional Budget Office estimates these savings to be $35 million in both BA and outlays, and our Committee on March 4 unanimously ordered reported an original bill for this purpose and the Committee anticipates reporting further legislation governing the VA's use of any such data.

The Committee's recommendations do not include the $1.1 billion in BA and $980 million in outlays requested in the President's budget for the Administration's proposed "credit reform" legislation. Serious questions and concerns regarding this proposal were raised by many of the witnesses at the Committee's March 4 hearing and answers have not yet been provided. The Committee therefore cannot, at this time, recommend that such funding be provided.

We wish to emphasize that we have arrived at our recommendations after a thorough review of veterans' programs and extensive efforts to identify areas in which savings and economies could be achieved consistent with the Congress' continuing commitment to meet its obligations to the Nation's veterans and their survivors. These views reflect our best judgment as of this date. If we or the Committee's staff may be of further assistance in your consideration of this report, please feel free to call upon us.

Sincerely,

Alan

Alan Cranston
Chairman

Frank

Frank H. Murkowski
Ranking Minority
Member

Enclosures

cc: All Budget Committee Members
All Veterans' Affairs Committee Members

March 25, 1988

SENATE COMMITTEE ON VETERANS' AFFAIRS
RECOMMENDATIONS FOR THE FISCAL YEAR 1989
BUDGET FOR VETERANS' PROGRAMS

FUNCTION 700 -- VETERANS' BENEFITS AND SERVICES

The Committee recommends Function 700 totals of $29.292 billion in budget authority (BA) and $28.737 billion in outlays as specified in the attached tables and discussed below. These amounts are $302.5 million in BA and $304.1 million in outlays below the President's budget request as reestimated by the Congressional Budget Office (CBO) and $161.8 million in BA and $133.9 million in outlays over the CBO baseline for the function. Disregarding the amounts included in the President's budget for Function 700 for the costs of its proposed "credit reform" legislation -- for which the Committee is not recommending funding -- the Committee's recommendations exceed the President's request as reestimated by CBO by $788 million in BA and $675.9 million in outlays.

The following discussion highlights changes recommended by the Committee (and shown on the attached tables) in the FY 1989 budget for veterans' programs submitted by the Administration (as reestimated by

CBO) and also reflects differences from the CBO baseline for each account.

Subfunction 701, Income Security

Compensation account:

LEGISLATION:

Disability compensation and dependency and indemnity compensation (DIC) cost-of-living adjustment (COLA): The Committee will report legislation (S. 2011) to provide for an FY 1989 COLA at the same percentage as the FY 1989 COLA in Social Security and VA pension benefits, effective December 1, 1988, the same effective date as the Social Security/VA pension COLA. CBO currently estimates that the COLA will be 4.5 percent. The Administration indicated in its budget that it will propose legislation to provide automatic annual COLAs in compensation benefits tied to the annual change in the Consumer Price Index. The Committee is opposed to such legislation.

Cost: No cost as compared to either the Administration budget or the CBO baseline. Based on interim acceptance of CBO's current estimate of the Social Security/VA pension COLA, the cost as compared to the cost of the program under current law would be $400.1 million in BA and $360.5 million in outlays.

Radiation-exposure compensation: In line with the anticipated compromise agreement on S. 9/H.R. 2616, provide funding for legislation to provide disability and death benefits for certain veterans and their survivors in connection with such veterans' exposure to ionizing radiation through participation in the atmospheric nuclear weapons testing program or the American occupation of Hiroshima or Nagasaki, Japan. Final action on a compromise agreement on such legislation is expected to occur in April 1988.

Cost: $40 million in both BA and outlays as compared to both the Administration budget and the CBO baseline.

Former prisoner-of-war (POW) compensation: In line with the anticipated compromise agreement on S. 9/H.R. 2616, provide funding for legislation to add irritable bowel syndrome, peptic ulcer disease, and peripheral neuropathy to the list of diseases presumed to be service-connected in the case of former POWs and to expand the definition of the term "former POW".

Cost: Less than $500,000 in both BA and outlays as compared to both the Administration budget and the CBO baseline.

Agent Orange-exposure compensation: The Committee will be holding hearings and considering various legislative proposals related to compensation in connection with exposure to Agent Orange.

Cost: Not yet known.

Compensation account total cost: $40 million in both BA and outlays as compared to both the Administration budget and the CBO baseline.

Pensions account:

LEGISLATION:

Allowing VA access to income information in Internal Revenue Service (IRS)/Social Security Administration (SSA) records: The Committee has ordered favorably reported an original bill to allow the VA access to certain IRS and SSA information for purposes of income verification for VA needs-based pension eligibility determinations, and expects that that legislation when it is reported will be referred to the Finance Committee. The Committee expects, in addition, to report legislation to provide that if legislation granting the VA access to such information is enacted that access may be exercised only if the Director of the Office of Management and Budget certifies that the savings would exceed the cost of administration and in that event the expenses of implementation would be required to be borne by the account out of which pensions are paid.

Cost savings: Savings of $35 million in both BA and outlays as compared to both the Administration budget and the CBO baseline.

Pensioner Vocational Training Program: The Committee will be considering legislation to extend the VA pensioner vocational training program which provides vocational evaluations, counseling, and training for certain new pension recipients.

Cost: Less than $500,000 in both BA and outlays as compared to both the Administration budget and the CBO baseline.

Pensions account total savings: $35 million in both BA and outlays as compared to both the Administration budget and the CBO baseline.

Burial benefits and miscellaneous assistance account:

LEGISLATION:

Increase in service-connected burial benefits: In line with the anticipated compromise agreement on S. 9/H.R. 2616, provide funding for an increase -- the first since 1978 -- in the maximum allowance which the VA pays for the funeral and burial expenses of a veteran who dies from a service-connected cause.

Cost: $5 million in both BA and outlays as compared to both the Administration budget and the CBO baseline.

Burial benefits and miscellaneous assistance account total cost: $5 million in both BA and outlays as compared to both the Administration budget and the CBO baseline.

Reinstated entitlement program for survivors account:

LEGISLATION:

Surviving spouses compensation: In line with the anticipated compromise agreement on S. 9/H.R. 2616, provide funding for legislation to restore to DIC beneficiaries receiving certain Social Security-equivalent benefits certain other benefits -- equal to the Social Security mother's benefit for children ages 16 and 17 and the child's benefit for post-secondary students and for secondary students over age 19 -- which were eliminated in 1981 by Public Law 97-35 and restored in 1982 to Social Security recipients but not to these DIC-equivalent beneficiaries.

Cost: Less than $500,000 in both BA and outlays as compared to both the Administration budget and the CBO baseline.

Reinstated entitlement program for survivors account: Less than $500,000 in both BA and outlays as compared to both the Administration budget and the CBO baseline.

Subfunction 702, Veterans' Education, Training and Rehabilitation

Readjustment benefits account:

LEGISLATION:

Specially adapted housing assistance: In line with the anticipated compromise agreement on S. 9/H.R. 2616, provide funding for increases in the maximum amount of the specially adapted housing assistance allowance paid to certain veterans with severe service-connected disabilities impairing their mobility and the maximum amount payable for special housing adaptations to certain veterans with service-connected total blindness or loss or loss of use of both upper extremities. The last increases in these benefits occurred in 1985.

Cost: $2 million in both BA and outlays as compared to both the Administration budget and the CBO baseline.

Automobile Assistance Allowance: In line with the anticipated compromise agreement on S. 9/H.R. 2616, provide funding for an increase -- the first since 1985 -- in the maximum amount of the automobile assistance allowance paid to veterans with certain service-connected disabilities.

Cost: Less than $500,000 in both BA and outlays as compared to both the Administration budget and the CBO baseline.

State Approving Agencies (SAAs): The House passed legislation (in H.R. 3460) to provide for funding the contracts of SAAs out of the readjustment benefits account instead of the general operating expenses (GOE) account, as is done under current law. The Committee has agreed to that provision in the context of a compromise agreement (currently being drafted) on S. 999/H.R. 1504, under which SAAs would be paid up to a total of $12 million in FY 1989 out of the readjustment benefits account -- as compared to the Administration's request for $8.4 million in the GOE account.

Cost: $10 million in both BA and outlays as compared to both the Administration budget and the CBO baseline with respect to the readjustment benefits account. (However, in light of the offsetting reductions in the GOE account of $8.4 million in both BA and outlays as compared to the Administration budget, the net increase for Function 700 is $1.6 million in both BA and outlays.)

Counseling for Veterans' Job Training Act (VJTA) Participants: In line with the anticipated compromise agreement on S. 999/H.R. 1504, provide funding for legislation establishing a program of employability training and counseling. This program will help address the unacceptably high drop-out rate under the VJTA by assisting veteran-participants who are in need of such services in finding, applying for, and successfully participating in a suitable VJTA program.

Cost: $3 million in both BA and outlays as compared to the Administration budget.

Readjustment benefits account total cost: $15 million in both BA outlays as compared to both the Administration budget and the CBO baseline.

Veterans' Job Training Act Account:

LEGISLATION:

VJTA: In line with the anticipated compromise agreement on S. 999/H.R. 1504, provide funding for legislation to extend the deadline for veterans to enter into training under VJTA through calendar year 1989 and to authorize appropriations for FYs 1988 and 1989.

Cost: $45 million in BA and $40 million in outlays as compared to the Administration budget.

Veterans' Job Training Act account total cost: $45 million in BA and $40 million in outlays as compared to both the Administration budget and the CBO baseline.

Subfunction 703, Hospital and Medical Care for Veterans

Medical Care Account:

Maintain FY 1988 staffing in addition to providing staffing for new activations: Provide funding to maintain the FY 1988 authorized staffing level (194,140 FTEE) in addition to providing staffing for new activations (an additional 1,882 FTEE), for a total of 196,022 FTEE. This includes the restoration of $4.7 million and 79 FTEE for the Vet Center (Vietnam-era veterans' readjustment counseling) program to restore Administration-proposed cuts based on a projected reduction in the demand for such counseling services.

The VA testified at the Committee's March 4 hearing that the readjustment counseling program reports no reduction in that demand nor was the VA able to provide a basis for projecting such a reduction in the coming fiscal year. (The total FTEE add-on over the Administration's request in this account is 3,664 FTEE.)

Cost: $151 million in BA and $129 million in outlays as compared to the Administration budget.

Pay-raise restoration: Provide full funding for the January 1, 1989, pay-raise, in lieu of the Administration proposal to require the VA to absorb half of such cost, which would result in less funds being available for other items necessary to provide health-care services.

Cost: $42.5 million in BA and $36.3 million in outlays as compared to the Administration budget.

AIDS treatment: Provide funding to cover the additional costs associated with caring for veterans with AIDS, particularly for those VA medical centers in high-incidence areas. The VA will treat approximately 2,800 new veteran-patients with AIDS in FY 1989 and provide counseling and testing for the HIV antibody to substantial numbers of veterans. The VA estimates that there is a shortfall of about

$20,000 per AIDS patient per year under the VA's resource allocation system. This funding would also be needed for the costs of the AIDS education, training, and counseling efforts called for in the anticipated compromise agreement on S. 9/H.R. 2616. (Add 506 FTEE.)

Cost: $50 million in BA and $42.8 million in outlays as compared to the Administration budget.

Drug-abuse treatment: Consistent with the recommendations of the Presidential Commission on AIDS, provide funding to expand the VA's ability to provide treatment to drug abusers, particularly intravenous drug users, who are at increased risk for infection with the AIDS virus. (Add 75 FTEE.)

Cost: $5 million in BA and $4.3 million in outlays as compared to the Administration budget.

Implementation of unit-dose medication distribution system: Provide for continuation of the VA's efforts to convert its hospitals to a safer, more efficient, and cost-effective method for medication distribution through the conversion of 4,000 beds -- approximately 15 percent of those beds remaining unconverted -- to the unit-dose system. (Add 143 FTEE.)

Cost: $5 million in BA and $4.3 million in outlays as compared to the Administration budget.

Contract program for chronically mentally-ill homeless veterans: Provide funding to carry on at the current level of operations, the program through which the VA provides community-based residential treatment to homeless veterans suffering from chronic mental illness disabilities. (Add 112 FTEE.)

Cost: $12.9 million in BA and $11.0 million in outlays as compared to the Administration budget.

Homeless domiciliary program: Provide funding to support the continued operation of 525 new domiciliary care beds which were established -- pursuant to Congressional direction -- in FY 1988 in 10 VA medical centers primarily to assist homeless veterans. (Add 269 FTEE.)

Cost: $10.4 million in BA and $8.9 million in outlays as compared to the Administration budget.

Expansion of extended-care alternatives: In line with specific recommendations in the Independent Budget, provide funding to expand in FY 1989 various extended-care alternatives to institutionalization which offer optimal care to veterans as well as improve the quality of their lives. (Add 610 FTEE.)

Cost: $22 million in BA and $18.8 million in outlays as compared to the Administration budget.

Geriatric Research, Education, and Clinical Centers (GRECCs): Provide funding for one additional GRECC and creation of a special program at an existing GRECC regarding elderly persons who have long-term disabilities. (Add 15 FTEE.)

Cost: $2.5 million in BA and $2.1 million in outlays as compared to the Administration budget.

Funding of quality assurance programs: Provide funding to increase the resources available for quality assurance programs, including occurrence screening and other activities called for in the anticipated compromise agreement on S. 9/H.R. 2616. (Add 85 FTEE.)

Cost: $6 million in BA and $5.1 million in outlays as compared to the Administration budget.

LEGISLATION:

Provision for increased State Home per diem rates: In line with the anticipated compromise agreement on S. 9/H.R. 2616, provide funding for legislation to increase State Home per diem rates.

Savings: $3 million in BA and $2.9 million in outlays as compared to the Administration budget.

Tuition Reimbursement: The Administration is proposing increased funding ($10.05 million) for FY 1989 to support the tuition reimbursement, non-degree granting program authorized by chapter 41 of title 5. In addition to supporting this request for the purpose of funding the currently-authorized title 5 program, the Committee recommends such funding also to support the degree-granting tuition-reimbursement program that would be established in the anticipated compromise agreement on S. 9/H.R. 2616.

Cost: No cost in BA or outlays as compared to the Administration budget.

Provision for special and premium rates of pay and bonuses: In line with the anticipated compromise agreement on S.9/H.R. 2616, provide funding for legislation relating to special rates, premium pay, and bonuses, including Saturday premium pay for nurses, in order to assist the VA to recruit and retain scarce health-care professionals.

Cost: $60 million in both BA and outlays as compared to the Administration budget.

Subsequent to its March 17 meeting, the Committee received information from the VA indicating that the newly-provided veteran status for Merchant Marines will result in increased health-care costs of $27.1 million. The Committee is convinced that this amount cannot be absorbed within the amount requested by the Administration for the medical care account and believes that this new, additional demand underscores the importance of additional funding the Committee has recommended for this account.

Medical care account total cost: $364.3 million in BA and $319.7 million in outlays as compared to the Administration budget and $57.5 million in BA and $60.7 million in outlays as compared to the CBO baseline.

Medical and Prosthetic Research Account:

Medical and prosthetic research: Provide funding to restore the cut in medical research imposed in FY 1988 and the proposed cut in rehabilitation research for FY 1989 and to provide additional funding for such high priority research as AIDS, mental illness (in line with legislation stressing such research to be included in the anticipated compromise agreement on S. 9/H.R. 2616), and spinal cord injuries. (Add 438 FTEE.)

Cost: $20 million in BA and $16.3 million in outlays as compared to the Administration budget.

Medical and prosthetic research account total cost: $20 million in BA and $16.3 million in outlays as compared to both the Administration budget and $20.9 million in BA and $17.1 million in outlays as compared to the CBO baseline.

Medical Administration and Miscellaneous Operating Expenses Account:

Administrative Automated Data Processing (ADP) Costs: Provide funding for administrative ADP costs to offset the reduction of $1 million made for such administrative expenses in the FY 1988 Continuing Resolution (Public Law 100-202). This administrative support is vital to the implementation of "CORE Plus 8" modules in the Decentralized Hospital Computer Program (DHCP), as well as to make various improvements in DHCP required by the General Accounting Office and for an ongoing test of the Integrated Hospital System at five VA medical centers for which no additional staff were provided to the VA. (Add 20 FTEE.)

Cost: $1.1 million in both BA and outlays as compared to the Administration budget.

Medical administration and miscellaneous operating expenses account total cost: $1.1 million in both BA and outlays as compared to the Administration budget and savings of $100,000 in BA and cost of $200,000 in outlays as compared to the CBO baseline.

Major Construction Account:

Medical Construction: Provide funding for additional unspecified construction projects, including nursing homes and other high-priority construction projects, in order to move forward on a reasonable schedule to help ensure that the VA's physical facilities are reasonably adequate to meet veterans' increasing needs for VA health-care services.

Cost: $40 million in BA and $800,000 in outlays as compared to the Administration budget.

Major construction account total cost: $40 million in BA and $800,000 in outlays as compared to the Administration budget and $11.2 million in BA and savings of $300,000 in outlays as compared to the CBO baseline.

State Home Construction Account:

State Home construction program increase: Provide increased funding for the program of matching grants for State Home construction projects to encourage and enable States to increase their participation in caring for our Nation's aging veterans. The State Home program presently has 60 eligible projects requiring approval from 25 states and Puerto Rico for a total of $182.6 million.

Cost: $10 million in BA and no outlay cost as compared to the Administration budget.

State Home construction account total cost: $10 million in BA and no outlay cost as compared to the Administration budget and $10.1 million in BA and no outlay cost as compared to the CBO baseline.

Subfunction 704, Veterans Housing

Loan Guaranty Revolving Fund (LGRF) Account:

The Administration's budget assumes that the entire loan portfolio will be sold without recourse during FYs 1989 and 1990. The CBO baseline assumes that the percentage of loans sold from the portfolio will not increase over prior years and therefore includes the need for an appropriation of $240 million more than the Administration's budget request. The Committee believes that the CBO baseline more accurately reflects future loan sale activity and has adopted the CBO baseline amount for the LGRF.

LEGISLATION:

Administration-proposed "credit reform":

The Committee notes that serious questions have been raised regarding the impact of this proposal, and no answers have been provided. The Committee, therefore, cannot at this time recommend that funding for this proposal -- $1.1 billion in BA and $980 million in outlays, according to the Administration's budget -- be provided.

Savings: $1.1 billion in BA and $980 million in outlays as compared to the Administration budget.

Loan guaranty revolving fund account total savings: $850.5 million in BA and $740 million in outlays as compared to the Administration budget and no cost or savings as compared to the CBO baseline.

Subfunction 705, Other Veterans Benefits and Services

General Operating Expenses Account:

Maintain FY 1988 Department of Veterans Benefits (DVB) staffing in addition to providing additional staffing in certain high-priority areas: Provide funding to maintain the FY 1988 DVB authorized staffing level (12,800 FTEE) in addition to providing 140 additional FTEE for the loan guaranty service, 55 for vocational rehabilitation and counseling programs, and 100 for general claims processing enhancement in DVB and BVA. The Committee believes that past DVB staffing reductions, averaging 500 FTEE in each of the past eight fiscal years, have contributed to the substantial financial problems now confronting the loan guaranty program and to preventing timely provision of other DVB benefits and services. The Committee is also concerned about the VA's ability to respond appropriately to the impact of the former Merchant Marines' newly-provided eligibility for VA benefits for which the VA estimates $58 million will be paid out to former Merchant Marines in FY 1989. However, the Committee notes that an increase in FTEE is only part of the answer to the problems facing DVB, particularly with respect to timeliness -- improved management practices and more innovation generally are also needed. (Add 787 FTEE.)

Cost: $26 million in BA and $23.9 million in outlays as compared to the Administration budget.

ADP Modernization in DVB: Provide funding for the development of systems alternatives and analyses required for the implementation of DVB's ADP Modernization Plan to allow the VA to make major computer acquisitions by FY 1992 in accordance with its information systems strategic plan and to provide benefits to veterans in a more effective and timely manner.

Cost: $15 million in BA and $13.8 million in outlays as compared to the Administration budget.

DVB Hearing Officers: Provide funding for personnel, travel, and relocation costs to support the VA's planned establishment -- based on the consent decree in the recent *Semenchuk v. Walters* litigation -- of 36 new "hearing officer" adjudication positions to substitute for three-member panels in the post-decision stage of a claim in order to help ensure that hearings are held by VA personnel not involved in the original adjudication of a claim. The Committee is taking no position on the merits of the VA's plan at this point but believes that, if the VA proceeds with this plan, additional positions are needed to implement it. (Add 36 FTEE.)

Cost: $3 million in BA and $2.8 million in outlays as compared to the Administration budget.

Training of DVB Personnel: Based on a proposal in the Independent Budget, provide funding for the development, implementation, and operation of a structured training program for DVB VA Regional Offices (VARO) employees -- a 5-FTEE training unit with travel funds for almost 800 staff from the 58 VAROs to participate in 6-day training sessions that would be held regionally in 9 cities. (Add 5 FTEE.)

Cost: $1 million in BA and $900,000 in outlays as compared to the Administration budget.

General operating expenses account total cost: $45 million in BA and $41.4 million in outlays as compared to the Administration budget and savings of $700,000 in BA and $600,000 in outlays as compared to the CBO baseline.

State Approving Agencies Account: In line with the anticipated compromise agreement on S. 999/H.R. 1504, transfer funding for the contracts of SAAs to the GOE account.

State approving agencies account total cost: $8.4 million in both BA and outlays as compared to both the Administration budget and the CBO baseline.

Function 500, Education, Training, Employment, and Social Services

Veterans' Employment Programs:

Local Veterans' Employment Representatives (LVERs): In line with the anticipated compromise agreement on S. 999/H.R. 1504, provide funding under Function 500 for the Department of Labor in order to support 1,600 LVER positions. The Administration has requested sufficient funding for 1,368 FTEE and the associated administrative FTEE for this program. During the program year ending June 30, 1987, more than 1.2 million of the 2.5 million veterans who registered for employment services at local employment service offices nationwide received no reportable service. (Add 260 FTEE.)

Cost: $10 million in both BA and outlays as compared to the Administration budget.

Homeless Veterans' Reintegration Projects: Although this program falls under the jurisdiction of the Senate Committee on Labor and Human Resources, this Committee wishes to express its view that this Department of Labor program, enacted as the result of a Murkowski-Cranston floor amendment, continue to be funded at $2 million in FY 1989. Through February 22, 1988, this $1.9 million program under the Stewart B. McKinney Homeless Assistance Act of 1987 (Public Law 100-77) placed 3,621 homeless veterans.

March 25, 1988

FISCAL YEAR 1989
FUNCTION 700, VETERANS' BENEFITS AND SERVICES
BUDGET AUTHORITY
(in millions of dollars)

	(a)	(b)	(c)	(c)-(b)	(c)-(a)
	FY 1989 CBO Baseline	FY 1989 Admin. Re-estmtd	FY 1989 SVAC Proposal	SVAC vs. Admin.	SVAC vs. Baselin
Subf. 701, Income security					
Compensation	10,679.4	10,679.4	10,679.4	0	0
Proposed legislation:					
Administration and Committee --					
COLA (4.5%)	400.1	400.1	400.1	0	0
Committee --					
Radiation-exposure compensation	--	0	40.0	+40.0	+40.0
Ex-POW compensation (S. 9)	--	0	*	*	*
	11,079.5	11,079.5	11,119.5	+40.0	+40.0
Insurance and Indemnities	9.2	9.2	9.2	0	0
Pensions	3,721.2	3,721.2	3,721.2	0	0
Proposed legislation:					
Committee --					
Extension of veterans pensioner vocational training progam	--	0	*	*	--
Legislative proposal to allow VA access to certain IRS and SSA information records for income verification for pension eligibility determinations 1/	--	0	-35.0	-35.0	-35
	3,721.2	3,721.2	3,686.2	-35	-35
Burial benefits and misc. assis.	134.0	134.0	134.0	0	0
Proposed legislation:					
Committee --					
Increase service-connected burial allowance (S. 9)	--	--	5.0	+5.0	+5.0
	134.0	134.0	139.0	+5.0	+5.0

Authority	(a) FY 1989 CBO Baseline	(b) FY 1989 Admin. Re-estmtd	(c) FY 1989 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a SVAC vs. Baseli
Reinstated entitlement program for survivors	0	0	0	0	0
Proposed legislation:					
Committee --					
Surviving spouses compensation (S. 9) --	0	*	*	*	
	0	0	*	*	*
Insurance Accounts	1,439.6	1,439.6	1,439.6	0	0
Insurance Receipts	-419.6	-419.6	-419.6	0	0
	1,020.0	1,020.0	1,020.0	0	0
SUBTOTAL, Subf. 701**	**15,963.9**	**15,963.9**	**15,973.9**	**+10.0**	**+10.**
Subf. 702, Veterans' education, training & rehabilitation					
Readjustment benefits	581.0	581.0	581.0	0	0
Proposed legislation:					
Committee --					
Provide COLA for certain service-connected disabled veterans benefits (S. 9):					
o Increase specially adapted housing assistance allowance	--	0	2.0	+2.0	+2.0
o Increase automobile assistance allowance	--	0	*	*	*
Fund State Approving Agencies (S. 999) 2/	--	0	10.0	+10.0	--
Fund new job readiness program (5% set aside) (S.999)	--	0	3.0	+3.0	--
	581.0	581.0	596.0	+15.0	+15.0
Veterans Job Training Act	0	0	0	0	0
Proposed legislation:					
Committee --					
Extend Veterans Job Training Act (S. 999)	--	0	45.0	+45.0	--
	0	0	45.0	+45.0	+45.0
Post-Vietnam era veterans education	167.3	167.3	167.3	0	0
Veterans Educational Assistance Act	-197.0	-197.0	-197.0	0	0
Education Loan Fund	0	0	0	0	0

	(a)	(b)	(c)	(c)-(b)	(c)-(a)
Authority	FY 1989 CBO Baseline	FY 1989 Admin. Re-estmtd	FY 1989 SVAC Proposal	SVAC vs. Admin.	SVAC vs. Baselin
Other education benefits	191.0	191.0	191.0	0	0
Education receipts	-311.3	-311.3	-311.3	0	0
SUBTOTAL, Subf. 702**	431.0	431.0	491.0	+60.0	+60.
Subf. 703, Hospital & medical care for veterans					
Medical care	10,657.3	10,327.5	10,327.5	0	-329.
Proposed legislation:					
Administration and Committee --					
Provide state Home per diem adjustment (Committee -- in S. 9)	--	18.0	15.0	-3.0	--
Tuition reimbursement proposal	--	5.0	5.0	0	--
Committee --					
Provide special and premium pay rates and bonuses (including Saturday pay) (S. 9)	--	0	60.0	+60.0	--
Committee proposals for funding in addition to Administration requests:					
Restore 3,664 FTEE to maintain currently-authorized level (194,140 FTEE, including restoring $4.7 million and 79 FTEE for readjustment counseling) and provide for new activations (1,882 FTEE) Total FTEE = 196,022	--	0	151.0	+151.0	--
Fund full Jan 1, 1989, pay-raise	--	0	42.5	+42.5	--
Fund AIDS treatment costs above costs for applicable DRG's and AIDS education program (S. 9) (add 506 FTEE)	--	0	50.0	+50.0	--
Expand drug abuse treatment as part of AIDS prevention (add 75 FTEE)			5.0	+5.0	--
Convert 4000 beds to unit-dose system (add 143 FTEE)	--	0	5.0	+5.0	--
Fund homeless, chronically mentally ill veterans contract residential care program (add 112 FTEE)	--	0	12.9	+12.9	--
Fund homeless domiciliary program (add 269 FTEE)	--	0	10.4	+10.4	--
Expand extended-care alternatives to institutionalization (add 610 FTEE)	--	0	22.0	+22.0	--

Authority	(a) FY 1989 CBO Baseline	(b) FY 1989 Admin. Re-estmtd	(c) FY 1989 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baselin
Add new GRECC and expand an existing GRECC to focus on disability (add 15 FTEE)	--	0	2.5	+2.5	--
Enhance quality assurance (add 85 FTEE)	--	0	6.0	+6.0	--
Total FTEE Add-On = 5917					
	10,657.3	10,350.5	10,714.8	+364.3	+57.5
Medical & prosthetic research	203.3	204.2	204.2	0	+0.9
Committee proposals for funding in addition to Administration requests:					
Increase research on AIDS, mental health, rehabilitation, and other high priority areas (add 438 FTEE)	--	--	20.0	+20.0	+20.0
	203.3	204.2	224.2	+20.0	+20.9
Medical administration and miscellaneous operating expenses	49.1	47.9	47.9	0	-1.2
Committee proposals for funding in addition to Administration requests:					
Restore FY 1988 MAMOE ADP funding cut	--	0	1.1	+1.1	--
	49.1	47.9	49.0	+1.1	-0.1
Major construction	419.0	367.8	367.8	0	-51.2
Committee proposals for funding in addition to Administration requests:					
Increase construction funding for unspecified projects (including additional nursing homes and other high priority construction projects)	--	0	40.0	+40.0	--
	419.0	367.8	407.8	+40.0	+11.2
Minor construction	121.3	123.9	123.9	0	+2.6
Grants for State Home construction	41.9	42.0	42.0	0	+0.1
Increase State Home construction funding	--	0	10.0	+10.0	--
	41.9	42.0	52.0	+10.0	+10.1

Authority	(a) FY 1989 CBO Baseline	(b) FY 1989 Admin. Re-estmtd	(c) FY 1989 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baselin
Grants to the Philippines	0.5	0.5	0.5	0	0
Parking Garage Revolving Fund	4.1	9.0	9.0	0	+4.9
Reimbursements for medical care	-150.0	-150.0	-150.0	0	0
SUBTOTAL, Subf. 703**	11,346.6	10,995.8	11,431.2	+435.4	+84.6
Subf. 704, Veterans housing					
Direct Loan Revolving Fund	0	0	0	0	0
Loan guaranty revolving fund	475.0	475.0	475.0	0	0
Proposed legislation: Administration -- "Credit reform" legislation	--	1,090.5	0	-1,090.5	--
Administration -- Increase portfolio loan sales	--	-240.0	0	240.0	--
	475.0	1,325.5	475.0	-850.5	0
SUBTOTAL, Subf. 704**	475.0	1,325.5	475 .0	-850.5	0
Subf. 705, Other veterans benefits and services					
General operating expenses	817.0	771.3	771.3	0	-45.7
Committee proposals for funding in addition to Administration requests:					
Restore 492 FTEE cut from DVB and and provide for an additional 140 FTEE for loan guaranty, 55 FTEE for vocational rehabilitation and counseling programs, and 100 FTEE for general claims processing enhancement in DVB and BVA	--	0	26.0	+26.0	--
DVB ADP modernization	--	0	15.0	+15.0	--
Fund planned addition of DVB hearing officers (add 36 FTEE)	--	0	3.0	+3.0	--
Fund DVB employee training unit (add 5 FTEE)	--	0	1.0	+1.0	--
Total FTEE Add-on = 828					
	817.0	771.3	816.3	+45.0	-0.7

Authority	(a) FY 1989 CBO Baseline	(b) FY 1989 Admin. Re-estmtd	(c) FY 1989 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baselin
State Approving Agencies	--	0	-8.4	-8.4	--
Grants for state cemeteries	0	9.0	9.0	0	+9.0
General post fund	22.5	22.5	22.5	0	0
American Battle Monuments Commission	15.2	17.3	17.3	0	+2.
Other***	49.2	45.0	45.0	0	+4.
SUBTOTAL, Subf. 705**	**913.6**	**878.4**	**921.0**	**+42.6**	**+7.**
TOTAL, FUNCTION 700 BUDGET AUTHORITY	**29,130.3**	**29,594.6**	**29,292.1**	**-302.5**	**+161.**

FISCAL YEAR 1989
FUNCTION 500, EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES
(in millions of dollars)

Subf. 504, Department of Labor					
Committee Proposals in Addition to Administration requests:					
Restore Local Veterans' Employment Representatives reduction (S. 999) (add 260 FTEE) 3/	--	0	10.0	+10.0	--
Continue Homeless Veterans' Reintegration Project under the Stewart B. McKinney Homeless Assistance Act	--	0	2.0	+2.0	--

Notes

* Indicates de minimis budget authority (less than $500,000).

** Totals may not add due to rounding.

*** Not within the Committee on Veterans' Affairs jurisdiction, but included here (at the Administration's proposed level) for the purpose of presenting overall Function 700 totals.

1/ Savings include an offset of $25 million in administrative costs as estimated by CBO. This legislation was ordered favorably reported by the Veterans' Affairs Committee on March 17, 1988, and is expected to be referred to the Finance Committee. The Committee expects, in addition, to report legislation to provide that if legislation granting the VA access to such information is enacted that access may be exercised only if the Director of the Office of Management and Budget certifies that the savings would exceed the administrative costs, and in that event, that the expenses of implementation would be required to be borne by the account out of which pensions are paid.

2/ Includes the transfer of $8.4 million -- provided in the Administration budget -- from the general operating expenses account.

3/ Required as part of the LVER funding formula in S. 999.

March 25, 1988

FISCAL YEAR 1989
FUNCTION 700, VETERANS' BENEFITS AND SERVICES
OUTLAYS
(in millions of dollars)

	(a) FY 1989 CBO Baseline	(b) FY 1989 Admin Re-estmtd	(c) FY 1989 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baselin
Subf. 701, Income security					
Compensation	10,681.2	10,681.2	10,681.2	0	0
Proposed legislation:					
Administration and Committee --					
COLA (4.5%)	360.5	360.5	360.5	0	0
Committee --					
Radiation-exposure compensation	--	0	40.0	+40.0	+40.0
Ex-POW compensation (S. 9)	--	0	*	*	*
	11,041.7	11,041.7	11,081.7	+40.0	+40.0
Insurance and Indemnities	9.2	9.2	9.2	0	0
Pensions	3,724.3	3,724.3	3,724.3	0	0
Proposed legislation:					
Committee --					
Extension of veterans pensioner vocational training progam	--	--	*	*	*
Legislative proposal to allow VA access to certain IRS and SSA information records for income verification for pension eligibility determinations 1/	--	--	-35.0	-35.0	-35.0
	3,724.3	3,724.3	3,689.3	-35.0	-35.0
Burial benefits and misc. assis.	134.0	134.0	134.0	0	0
Proposed legislation:					
Committee --					
Increase service-connected burial allowance (S.9)	--	--	5.0	+5.0	+5.0
	134.0	134.0	139.0	+5.0	+5.0

Outlays	(a) FY 1989 CBO Baseline	(b) FY 1989 Admin. Re-estmtd	(c) FY 1989 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baselin
Reinstated entitlement program for survivors	0	0	0	0	0
Proposed legislation:					
Committee --					
Surviving spouses compensation (S. 9)	--	0	*	*	*
	0	0	*	*	*
Insurance Accounts	1,171.4	1,171.4	1,171.4	0	0
Insurance Receipts	-419.6	-419.6	-419.6	0	0
	661.9	661.9	661.9	0	0
SUBTOTAL, Subf. 701**	**15,571.1**	**15,571.1**	**15,581.1**	**+10.0**	**+10.0**
Subf. 702, Veterans' education, training & rehabilitation					
Readjustment benefits	585.0	585.0	585.0	0	0
Proposed legislation:					
Committee --					
Provide COLA for certain service-connected disabled veterans benefits (S. 9):					
o Increase specially adapted housing assistance allowance	--	0	2.0	+2.0	+2.0
o Increase automobile assistance allowance	--	0	*	*	*
Fund State Approving Agencies (S. 999) 2/	--	0	10.0	+10.0	--
Fund new job readiness program (5% set aside) (S. 999)	--	0	3.0	3.0	--
	585.0	585.0	600.0	+15.0	+15.0
Veterans Job Training Act	4.6	4.6	4.6	0	0
Proposed legislation:					
Committee --					
Extend Veterans Job Training Act (S. 999)	--	0	40.0	+40.0	--
	4.6	4.6	44.6	+40.0	40.0
Post-Vietnam era veterans education	256.2	256.2	256.2	0	0
Veterans Educational Assistance Act	-197.0	-197.0	-197.0	0	0
Education Loan Fund	-5.8	-5.8	-5.8	0	0

Outlays	(a)	(b)	(c)	(c)-(b)	(c)-(a
	FY 1989 CBO Baseline	FY 1989 Admin. Re-estmtd	FY 1989 SVAC Proposal	SVAC vs. Admin.	SVAC vs. Baseli
Other education benefits	93.0	93.0	93.0	0	0
Education receipts	-311.3	-311.3	-311.3	0	0
SUBTOTAL, Subf. 702**	**424.7**	**424.7**	**479.7**	**+55**	**+55**
Subf. 703, Hospital & medical care for veterans					
Medical care	10,577.0	10,295.1	10,295.1	0	-281.
Proposed legislation:					
Administration and Committee --					
Provide State Home per diem adjustment (Committee -- in S. 9)	--	17.9	15.0	-2.9	--
Tuition reimbursement proposal	--	5.0	5.0	0	--
Committee --					
Provide special and premium pay rates and bonuses (including Saturday pay) (S. 9)	--	0	60.0	+60.0	--
Committee proposals for funding in addition to Administration requests:					
Restore 3,664 FTEE to maintain currently-authorized level (194,140 FTEE, including restoring $4.7 million and 79 FTEE for readjustment counseling) and provide for new activations (1,882 FTEE) Total FTEE = 196,022	--	0	129.0	+129.0	--
Fund full Jan 1, 1989, pay-raise	--	0	36.3	+36.3	--
Fund AIDS treatment costs above costs for applicable DRG's and AIDS education program (S. 9) (add 506 FTEE)	--	0	42.8	+42.8	--
Expand drug abuse treatment as part of AIDS prevention (add 75 FTEE)		0	4.3	+4.3	--
Convert 4000 beds to unit-dose system (add 143 FTEE)	--	0	4.3	+4.3	--
Fund homeless, chronically mentally ill veterans contract residential care program (add 112 FTEE)	--	0	11.0	+11.0	--
Fund homeless domiciliary program (add 269 FTEE)	--	0	8.9	+8.9	--
Expand extended-care alternatives to institutionalization (add 610 FTEE)	--	0	18.8	+18.8	--

Outlays	(a) FY 1989 CBO Baseline	(b) FY 1989 Admin. Re-estmtd	(c) FY 1989 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baselin
Add new GRECC and expand an existing GRECC to focus on disability (add 15 FTEE)	--	0	2.1	+2.1	--
Enhance quality assurance (add 85 FTEE)	--	0	5.1	+5.1	--
Total FTEE Add-On = 5917					
	10,577.0	10,318.0	10,637.7	+319.7	+60.7
Medical & prosthetic research	201.4	202.2	202.2	0	+0.8
Committee proposals for funding in addition to Administration requests:					
Increase research on AIDS, mental health, rehabilitation, and other high priority areas (add 438 FTEE)	--	0	16.3	+16.3	--
	201.4	202.2	218.5	+16.3	+17.1
Medical administration and miscellaneous operating expenses	47.9	47.0	47.0	0	-0.9
Committee proposals for funding in addition to Administration requests:					
Restore FY 1988 MAMOE ADP funding cut	--	0	1.1	+1.1	--
	47.9	47.0	48.1	+1.1	+0.2
Major construction	414.2	413.1	413.1	0	-1.1
Committee proposals for funding in addition to Administration requests:					
Increase construction funding for unspecified projects (including additional nursing homes and other high priority construction projects)	--	0	0.8	+0.8	--
	414.2	413.1	413.9	+0.8	-0.3
Minor construction	124.0	124.2	124.2	0	+0.2
Increase Grants for State Home construction	35.7	35.7	35.7	0	0
Increase State Home construction funding	--	0	0	0	--
	35.7	35.7	35.7	0	0

Outlays	(a) FY 1989 CBO Baseline	(b) FY 1989 Admin. Re-estmtd	(c) FY 1989 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a SVAC vs. Baseli
State Approving Agencies Transfer to Readjustment Benefits Account	--	--	-8.4	-8.4	--
Grants for state cemeteries	5.0	5.0	5.0	0	0
General post fund	21.5	21.5	21.5	0	0
American Battle Monuments Commission	14.8	16.2	16.2	0	+1.
Other ***	65.8	64.9	64.9	0	-0.
SUBTOTAL, Subf. 705**	**921.0**	**878.7**	**911.7**	**+33.0**	**-9.**
TOTAL, FUNCTION 700 OUTLAYS**	**28,603.1**	**29,041.0**	**28,736.9**	**-304.1**	**+133.**

FISCAL YEAR 1989
FUNCTION 500, EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES
(in millions of dollars)

Outlays	FY 1989 CBO Baseline	FY 1989 Admin. Re-estmtd	FY 1989 SVAC Proposal	SVAC vs. Admin.	SVAC vs. Baseline
Subf. 504, Department of Labor					
Committee Proposals in Addition to Administration requests:					
Restore Local Veterans' Employment Representatives reduction (S. 999) (add 260 FTEE)	--	0	10.0	+13.0	--
Continue Homeless Veterans' Reintegration Project under the Stewart B. McKinney Homeless Assistance Act 3/	--	0	2.0	+2.0	--

Notes

* Indicates de minimis budget authority (less than $500,000).

** Not within the Committee on Veterans' Affairs jurisdiction, but included here (at the Administration's proposed level) for the purpose of presenting overall Function 700 totals.

1/ Savings include an offset of $25 million in administrative costs as estimated by CBO. This legislation was ordered favorably reported by the Veterans' Affairs Committee on March 17, 1988, and is expected, when reported, to be referred to the Finance Committee. The Committee expects, in addition, to report legislation to provide that if legislation granting the VA access to such information is enacted, that access may be exercised only if the Director of the Office of Management and Budget certifies that the savings would exceed the administrative costs and, in that event, that the expenses of implementation would be required to be borne by the account out of which pensions are paid.

2/ Includes the transfer of $8.4 million -- provided in the Administration budget -- from the general operating expenses account.

3/ Required as part of the LVER funding formula in S. 999.

BUDGET VIEWS AND ESTIMATES
FOR FISCAL YEAR 1989

A REPORT

SUBMITTED TO THE

BUDGET COMMITTEE

(Pursuant to Section 301(c) of Public Law 93-344

Prepared by the

SELECT COMMITTEE ON INDIAN AFFAIRS

UNITED STATES SENATE

MARCH 1988

Printed for the use of the Select Committee on Indian Affairs

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United States Senate
SELECT COMMITTEE ON INDIAN AFFAIRS
WASHINGTON, DC 20510-6450

March 25, 1988

The Honorable Lawton Chiles
Chairman
The Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
621 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman and Senator Domenici:

In accordance with the provisions of section 301(c) of Public Law 93-344, we are pleased to submit to you the Report of the Select Committee on Indian Affairs to the Committee on the Budget on the President's Budget Request for Fiscal Year 1989 for Indian Programs.

The recommendations contained in this report are for those programs for which the Committee has authorizing legislative jurisdiction, including the programs operated by the Bureau of Indian Affairs, the Indian Health Service, Title IV of the Indian Education Act as administered by the Department of Education, and the Administration for Native Americans in the Department of Health and Human Services.

The Select Committee also has oversight responsibility for the Indian housing programs administered by the Department of Housing and Urban Development and the Office of Native American Programs within the Department of Labor. Although the budgets for these programs are reported on by other Senate committees, the Select Committee on Indian Affairs has examined the President's Budget for Fiscal Year 1989 for those programs and has made recommendations consistent with overall Indian policy objectives and initiatives.

The Committee conducted an oversight hearing on the President's Budget Request for Indian programs for Fiscal Year 1989 on February 25, 1989, and received testimony from the Bureau of Indian Affairs, the Indian Health Service, the Department of Education, and the Department of Housing and Urban Development, as well as from national Indian organizations. The recommendations for funding contained in the Committee's report reflect the input and recommendations of tribal governments and tribal organizations from across the nation, consistent with the mandate for tribal consultation contained in the Indian Reorganization Act of 1934. In general, the Committee's recommended levels of funding for Indian programs are designed to maintain the fiscal year 1988 level of program effort.

We appreciate your close attention to the Committee's analysis of the President's Budget for Indian Programs for Fiscal Year 1989 and the recommendations related to funding and policy initiatives that are set forth in this report.

Sincerely,

Daniel J Evans

DANIEL J. EVANS
Vice-Chairman

DANIEL K. INOUYE
Chairman

Table 1. - BUREAU OF INDIAN AFFAIRS FISCAL YEAR 1989 BUDGET REQUEST

(In Thousands of dollars; fiscal years)

	1988 Enacted to date	1989 Baseline	1989 Administration request	1989 BCIA recommendation	1990	1991	1992	1993
Education (subfunction 501):								
School operations	189,443	186,985	187,502	195,161	203,358	211,899	220,797	230,069
Johnson O'Malley	20,351	20,400	20,400	30,160	31,427	32,747	34,122	35,555
Continuing education	28,640	25,816	24,191	27,061	28,198	29,382	30,615	31,902
Tribe/Agency Operations	32,829	32,882	32,551	34;223	35,661	37,158	38,719	40,346
Subtotal	271,263	266,083	264,644	286,605	298,644	311,186	324,253	337,872
Indian services (subfunction 452):								
Tribal government serv.	8,976	8,841	9,002	7,843	8,204	8,573	8,984	9,434
Social services	93,210	93,206	88,883	93,215	97,503	101,891	106,781	112,120
Law enforcement	4,286	4,016	4,029	3,015	3,154	3,296	3,454	3,626
Self-determination serv.	52,677	52,754	50,149	62,883	65,776	68,736	72,035	75,637
Employment development	2,473	2,465	2,227	2,627	2,748	2,871	3,009	3,160
Tribe/agency operations	120,776	120,986	116,336	127,987	133,874	139,899	146,614	153,945
Subtotal	282,398	282,268	270,626	297,570	311,259	325,266	340,877	357,922
Navajo-Hopi settlement (subfunction 452):								
Subtotal	1,971	1,997	1,997	1,997	1,997	1,997	1,997	1,977
Economic development employment (subfunction 452):								
Business enterprise dev.	10,561	10,525	3,636	7,000	7,322	7,651	8,019	8,420
Road maintenance	1,267	24,737	31,064	7,351	7,689	8,035	8,421	8,842
Tribe/agency operations	27,715	3,960	3,538	27,715	28,990	30,294	31,749	33,336
Subtotal	39,543	39,222	38,238	42,066	44,001	45,980	48,189	50,598
Natural resources development (subfunction 302):								
Natural resources, gen.	1,887	1,885	2,794	2,794	2,923	3,054	3,201	3,361
Agriculture	4,354	4,414	3,537	4,207	4,401	4,599	4,819	5,060
Forestry	37,490	37,423	27,852	31,002	32,428	33,887	35,514	37,290
Water resources	9,467	9,469	1,069	9,469	9,905	10,350	10,847	11,389
Wildlife and parks	14,540	14,676	10,880	14,676	15,351	16,042	16,812	17,653
Minerals and Mining	7,883	7,874	6,824	7,883	8,246	8,617	9,030	9,482
Irrigation and power	8,015	8,104	7,704	8,015	8,384	8,761	9,181	9,641
Tribe/Agency operations	62,374	61,792	59,310	62,162	65,022	67,948	71,208	74,770
Subtotal	146,010	145,637	119,970	140,208	146,660	153,258	160,612	168,646
Trust responsibilities (subfunction 452):								
Indian rights protection	12,738	12,725	18,761	11,261	11,779	12,309	12,900	13,545
Real estate and financial services	17,793	17,634	19,309	19,309	20,197	21,106	22,119	23,225
Tribe/Agency Operations	24,864	24,438	23,627	23,627	24,714	25,826	27,066	28,419
Subtotal	55,395	54,797	61,697	54,197	56,690	59,241	62,085	65,189
Facilities management (subfunction 452):								
Subtotal	82,141	81,405	81,711	81,711	85,470	89,316	93,603	98,283
General Administration (subfunction 451):								
Subtotal	92,035	94,651	99,533	95,163	99,541	104,020	109,011	114,463
Construction (subfunction 452):								
Subtotal	83,225	82,947	56,793	79,297	82,708	86,347	90,317	94,654
Road construction (subfunction 452):								
Subtotal	1,000	1,000	0	1,000	1,043	1,089	1,139	1,194
Total	1,054,981	1,050,007	995,209	1,079,814	1,128,013	1,177,700	1,232,083	1,290,818

extended to off-reservation Indians through the Indian Education Act of 1972; health programs consisting principally of outreach and referral but also of some direct care services were extended to off-reservation Indians through enactment of the Indian Health Care Improvement Act of 1976; and authorization of funding for Indian child welfare programs was provided with enactment of the Indian Child Welfare Act of 1978. Beginning in the 1960's, the Administration for Native American Programs within HHS has provided services to Alaskan Natives, Hawaiians, and American Indians both on and off reservations. Each of these programs was enacted after extensive hearings and on the basis of ascertained need of the service population which was not being met by state or local governments.

This budget report is provided in two parts: Part I provides in table form the Committee's recommendations for the next 5 year period for the major program categories; Part II is more detailed and provides both table format and text discussion of the fiscal year 1989 budget recommendations.

nations." As such, the Supreme Court has held that the tribes have surrendered only those powers of sovereignty which are inconsistent with their dependent status. All other governmental powers still remain. As a result, Indian tribes are not political subdivisions of the states nor are they local governments within the meaning of most state and Federal statutes. Rather, the tribes and the United States exercise a direct government-to-government relationship with one another.

In 1934, in furtherance of this policy, Congress enacted the Indian Reorganization Act (Act of June 18, 1934; 25 U.S.C. 461 et seq.) setting forth a new policy toward the Indian tribes and providing, among other things, for the political reorganization of the tribes in accordance with the terms of that Act if the tribes so chose. In 1936, the provisions of this Act were extended tc the Territory of Alaska (Act of May 1, 1936, 25 U.S.C. 473a) and a separate Act with similar provisions pertaining to tribes in Oklahoma was enacted (Act June 26, 1936; 25 U.S.C. 501 et seq.)

In contrast with this Federal relationship, the historical relationship of Indian tribes and the states has been one of separation. Tribes are not political subdivisions of states and thus often do not receive funding assistance from state governments. In addition, in the absence of specific legislative directives, Federal pass-through moneys allocated to states all too frequently are not passed through to tribal governments. In examining Federal budget allocations or reductions in Indian programs, it is thus necessary to consider that (1) tribes do not generally receive supplemental funding from state governments on the same basis as county and municipal governments; (2) that tribes for the most part do not have other sources for raising revenues that state or local governments enjoy; and, (3) that there is a direct government-to-government relationship between the United States and Indian tribal governments. Thus, when Federal moneys for Indian programs are reduced or eliminated there is no replacement source to which the tribes can look.

A critical aspect of the government-to-government relationship of the United States with Indian tribal governments is the trust relationship and the obligations this legal relationship imposes on the United States not only with respect to the protection of trust resources but in assuring delivery of services to the Indian people at least commensurate with that delivered to non-Indian citizens. At the reservation level, this obligation is obvious. While it is less obvious, it is just as real for off-reservation programs. During the decade of the 1970's, Congress specifically recognized the needs of Indians living in urban and rural off-reservation areas. Thus, an Indian component was included in the Comprehensive Employment and Training Act (CETA) enacted in 1973; and is now carried forward as the Job Partnership Training Act; education benefits were

INTRODUCTION

The Select Committee on Indian Affairs is the authorizing Committee for program operations of the Bureau of Indian Affairs (BIA) in the Department of the Interior, Indian Health Service (IHS) and Administration for Native Americans (ANA), in the Department of Health and Human Services (HHS), and the Office of Indian Education (OIE) in the Department of Education. In addition, the Committee has oversight responsibility for operation of programs in other agencies affecting Indians, including the Indian Housing program of Department of Housing and Urban Development.

Specifically, Senate Resolution 4, the Committee System Reorganization Amendments, charges the Select Committee as follows:

> It shall be the duty of the Select Committee to conduct a study of any and all matters pertaining to problems and opportunities of Indians, including but not limited to, Indian land management and trust responsibilities, Indian education, health, special services, and loan programs, and Indian claims against the United States.
>
> The Select Committee shall from time to time report to the Senate, by bill or otherwise, its recommendations with respect to matters referred to the Select Committee or otherwise within its jurisdiction.

In furtherance of this responsibility, the Select Committee on February 25, 1988, held oversight hearings on fiscal year 1989 budget submissions of the Bureau of Indian Affairs (BIA), the Indian Health Service (IHS), the Department of Housing and Urban Development (HUD), and the Department of Education.

The programs administered by the BIA, IHS, the Administration for Native Americans (ANA), HUD, and the Office of Indian Education, as well as those of other Federal agencies with Indian programs are of an extremely broad scope, literally spanning the breadth of Federal, state, and local government responsibilities, but with the additional responsibility for the protection and management of Indian trust resources for which the United States has a trust responsibility.

The Federal budget, as it relates to Indian programs, must be considered in the context of the unique relationship that the United States maintains with the Indian tribes and the Alaska Native communities.

Federal policy has long recognized that Indian tribes within the boundaries of the United States are "domestic, dependent

TABLE 2. — INDIAN HEALTH SERVICE

[In thousands of dollars; fiscal years]

	1988 Enacted	1989 Administration Request	1989 SCIA recommen-	1990	1991	1992	1993
Clinical services (subfunction 551):							
Hospital & health clinic	537,000	556,423	571,909	614,230	658,454	706,521	758,097
Dental services	28,974	30,318	30,767	33,043	35,442	38,027	40,803
Mental health	12,466	13,091	13,357	14,345	15,377	16,499	17,703
Alcoholism	29,335	30,959	57,075	61,298	65,711	70,507	75,654
Maintenance and repair	11,359	11,756	12,289	13,198	14,148	15,180	16,298
Contract care	198,481	208,335	212,415	228,133	244,558	262,144	281,565
Subtotal	817,615	850,882	897,812	964,247	1,033,690	1,108,878	1,190,110
Preventive health (subfunction 551):							
Sanitation	23,907	24,626	25,186	27,049	28,996	31,115	33,383
Public health nursing	14,113	14,467	14,710	15,798	16,935	18,171	19,497
Health education	4,413	4,651	4,754	5,105	5,472	5,871	6,299
Community health rep.	27,282	27,282	29,304	31,472	33,738	36,200	38,842
Hepatitis B	395	417	447	480	514	551	591
Subtotal	70,110	71,443	74,401	79,904	85,655	91,908	98,612
Urban health (551)	9,624	8,662	10,335	11,099	11,898	12,766	13,697
Indian health manpower (551)	7,646	7,646	9,224	9,906	10,699	11,480	12,318
Tribal management (551)	3,094	3,218	3,324	3,569	3,826	4,105	4,404
Direct operations (551)	41,392	42,471	43,318	46,523	49,872	53,512	57,418
Subtotal	61,756	61,997	66,201	71,097	76,295	81,863	87,837
SUB-TOTAL	949,481	984,322	1,038,414	1,115,248	1,195,640	1,282,649	1,376,559
Indian health facilities	62,511	2,450	62,235	60,000	60,000	60,000	60,000
GRAND TOTAL	1,011,992	986,772	1,100,649	1,175,248	1,255,640	1,342,649	1,436,559

TABLE 3.-DEPARTMENT OF EDUCATION, TITLE IV, INDIAN EDUCATION ACT

TABLE 3.— DEPARTMENT OF EDUCATION, TITLE IV, INDIAN EDUCATION ACT

[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 Administra- request	1989 SCIA recommen- dation	1990	1991	1992	1993
Title IV Program-Indian Education							
Part A							
Formula grants	45,670	46,348	50,310	52,423	54,625	56,919	59,310
Discretionary grants	3,500	3,500	3,500	3,647	3,800	3,960	4,126
Part B (special programs)	11,707	11,807	12,199	12,711	13,245	13,802	14,381
Part C (adult education)	3,000	3,500	3,500	3,647	3,800	3,960	4,126
Part D (administration)	2,449	2,498	2,498	2,603	2,712	2,826	2,945
Total	66,326	67,653	72,007	75,031	78,182	81,467	84,888

BUREAU OF INDIAN AFFAIRS, DEPARTMENT OF THE INTERIOR

The Bureau of Indian Affairs (BIA) was created in the War Department in 1824 and in 1849 was transferred to the Department of the Interior. The history of the relationship between Indian tribes and the U.S. Government reveals that the mission of the BIA was founded on a government-to-government relationship and the trust responsibility. The Bureau, therefore, as an agent of the U.S. Government, recognizes a fundamental responsibility to American Indian tribes, Alaska Native groups, and the tribal form of government. The Bureau's mission is presently viewed as three-fold: (1) to recognize and preserve the inherent rights of tribal self-government, to strengthen tribal capacity for self-government, and to provide resources for tribal government programs; (2) to protect the rights of Indian people in dealing with other governmental entities and the private sector; and (3) to fulfill and execute the Federal Government's responsibility for trust resources and property.

Programs administered by the Bureau of Indian Affairs are extremely broad in scope. The two largest programs, education and social services, account for approximately 52 percent of the BIA budget request for fiscal year 1989. Education alone accounts for nearly 26 percent of the budget. This does not include requests for construction of facilities or for the improvement and repair of schools and related structures.

In addition to these programs, the BIA is responsible for management and protection of natural resources of individual Indians and the tribes, such as: forestry, agricultural lands, minerals and mining, fisheries and irrigation and power; maintenance of over 26,000 miles of paved and unpaved roads within the reservations; provision of law enforcement services and support of tribal courts; management of Indian trust funds totalling approximately $1.7 billion; provision of technical assistance and core support to tribes to enable the tribes to contract for and administer Federal programs; and provision of funds either through loans or grants to stimulate economic development on the reservations.

The Snyder Act of 1921 (42 Stat. 208; 25 U.S.C. 13) provided substantive authority for appropriations covering the activities of the Bureau of Indian Affairs. The scope and character of the authorizations contained in this Act were broadened by the Indian Reorganization Act of 1934 (48 Stat. 948; 25 U.S.C. 461 et seq.); by the Indian Self-Determination and Education Assistance Act of 1975 (188 Stat. 2203; 25 U.S.C. 450); by Amendments to Title XI of the Elementary and Secondary Education Amendments Act of 1978 (Public Law 95-561); by the Indian Child Welfare Act of 1978 (Public Law 95-608); and by the Tribally Controlled Community College Assistance Act of 1978 (Public Law 95-471, as amended).

The BIA budget justification discusses new "Federal Funds" for which an appropriation is sought, and expenditures of trust funds of Indians and Indian tribes including income derived therefrom. In fiscal year 1988, the total BIA appropriation was $1,071,406,000 as designated under the "Federal Funds" category. For "Permanent and Trust Funds", (i.e., Indian trust funds and other receipts) the FY 1988 authorization for expenditure was $391,382 000.

The breakout is similar for the fiscal year 1989 request: $1,026,207,000 for new appropriations of "Federal Funds" and $394,636,000 for "Permanent and Trust Funds". Consequently, although the total appropriation request approximates $1.4 billion, about one-third of this sum is Indian-owned trust money or permanently appropriated miscellaneous receipts requiring no new budget authority. **The fiscal year 1989 reduction from fiscal year 1988 in the BIA budget amounts to approximately $45 million.** These reductions are spread throughout the BIA budget and are reflected primarily within the following Operational Indian Program activities: Education (-$1.4 million), Indian Services (-$11.6 million), Economic Development (-$.9 million) and Natural Resources Development (-$25.6 million). Additional decreases are sought under the Construction (-$26 million) and Road Construction (-$1 million) program activities.

This analysis of the BIA budget follows the format established within the document United States Department of the Interior, Budget Justifications, FY 1989, Bureau of Indian Affairs. The budget justification for the Bureau of Indian Affairs in the Department of the Interior is divided into four major categories: (1) Operation of Indian Programs, which includes most of the program activities of the BIA; (2) Construction, which includes maintenance and repair of existing facilities and new construction of schools, irrigation projects and housing; (3) Road Construction, which includes both road maintenance and construction of new roads; and (4) Miscellaneous separate accounts authorizing expenditures for specific tribes or projects not within the Operation of Indian Programs.

Operation of Indian Programs covers eight major subject areas or budget activities as follows: Education; Indian Services; Navajo/Hopi Settlement Program; Economic Development; Natural Resources Development; Trust Responsibilities; Facilities Management; and General Administration. A ninth major category separately displayed is Construction. A summary analysis of the funding sought for each of these activities follows this introduction.

To establish the most accurate analysis of the BIA Budget, the Committee has compared the FY 1989 base numbers with the FY 1989 estimate figures. The base figures which are applied to FY 1988 appropriation levels are the result of increases resulting from Federal Pay Act cost-of-living adjustments or decreases which are based upon FERS (Federal Employee Retirement System) reductions, adjustments and internal transfers of certain BIA program activities to other categories. There are four proposed adjustments and 15 different internal transfers presented within the FY 1989 Budget Justification.

The budgeting format of the FY 1989 Justification is the same as the format for the FY 1988 base which substantially improved comparative analysis. In the previous fiscal year the Bureau of Indian Affairs altered the budget format creating multiple problems in review and interpretation of program activities.

The responsibility for the provision of health care services to Indian people was transferred from the Department of the Interior to the Department of Health, Education and Welfare in 1955. The basis legislative authority for the provision of health care services contained in the Synder Act of 1921 (25 U.S.C. 13) was supplemented with the enactment of the Indian Health Care Improvement Act in 1976 (25 U.S.C. 1601, et seq.).

Over the last thirty years, the Indian Health Service, an agency of the Public Health Service within the Department of Health and Human Services, has assumed the primary responsibility for raising the health status of Indian people to the highest possible level, as mandated by the Indian Health Care Improvement Act.

In fiscal year 1989, the President's Budget Request for the Indian Health Service proposes a 4.7 percent increase in clinical services, however the proposed level of funding will not allow the Indian Health Service to keep pace with the 7.4 percent increase in the costs of providing medical care as projected by the Consumer Price Index and the Congressional Budget Office.

BUREAU OF INDIAN AFFAIRS

ACTIVITY: EDUCATION

[In thousands of dollars; fiscal years]

Subactivity	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
School operations	189,443	186,865	187,002	195,161	203,358	211,899	220,797	230,069
Johnson-O'Malley	20,351	20,400	20,400	30,100	31,427	32,747	34,122	35,555
Continuing education	28,640	25,816	24,191	27,061	28,198	29,382	30,615	31,902
Tribe/agency operations	32,829	32,982	32,851	34,223	35,661	37,158	38,719	40,346
Total	271,263	266,063	264,644	286,006	298,644	311,186	324,253	337,872

In fulfillment of certain treaty obligations and the overall trust responsibility, the federal government provides education services to Indian students both through the Bureau of Indian Affairs and through the Department of Education. The BIA education services are provided to Indian students who are members of federally recognized tribes and who live on and near Indian reservations. Of all Indian students within the BIA's service population, 82 percent attend public schools, 7 percent attend private and parochial schools, and the remaining 11 percent are educated in schools operated either by the BIA or by tribes under Public Law 93-638 contracts with the BIA. There are 103 BIA schools, 64 contract schools and 14 peripheral dorms which serve Indian children who attend public schools. The Indian School Equalization Program (ISEP) pays per student costs on a formula basis to all BIA and contracts. Thus, ISEP uses the bulk of the BIA education funds. The remainder of the education budget for BIA funds the Johnson-O'Malley program, adult education, higher education and scholarships.

Of the 39,592 students in BIA-funded schools operating in 23 states, about 54 percent are in the 57 BIA and contract boarding schools. According to the Bureau, they are in residence either because their families do not live within a 1 and 1/2-mile radius of a public or BIA school bus route, or because of special social or academic factors, including poverty, family problems, or difficulties encountered in public schools.

In its fiscal year 1989 budget request, the BIA has proposed to maintain the 1988 base funding level of $159,350,000 for the 103 schools it now operates (including 46 boarding schools) and for the schools operated under contracts with tribes or tribal organizations. The request for fiscal year 1989 for all of the Bureau of Indian Affairs education programs is $232,093,000 and reflects a decrease of $4 million from the 1988 appropriated level for the entire BIA education program.

SUBACTIVITY: School operations

[In thousands of dollars; fiscal years]

Program elements	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
A. Indian School Equalization Program:								
Indian school equalization formula	161,582	159,350	159,350	166,042	173,016	180,283	187,855	195,745
Indian school program adjustments	1,538	1,538	2,355	2,355	2,454	2,557	2,664	2,776
B. Education standards	300	300	0	0	0	0	0	0
C. Institutionalized handicapped	1,428	1,428	1,428	1,434	1,494	1,557	1,622	1,690
D. School board expenses	723	723	723	726	756	788	821	855
Training fund	512	512	512	514	536	557	580	604
E. Student transportation	11,962	11,852	11,852	12,352	12,871	13,412	13,975	14,562
F. Solo Parent Program	108	108	108	112	117	122	127	132
G. Technical support:								
1. Agency & area office	8,466	8,348	8,348	8,698	9,063	9,444	9,841	10,254
2. Education MIS	424	424	424	426	444	463	482	502
H. Substance abuse/alcohol counselors	2,400	2,402	2,402	2,502	2,607	2,716	2,830	2,949
Total	189,443	186,985	187,502	195,161	203,358	211,899	220,797	230,069

A. Indian School Equalization Program

The Committee recommends $166,042,000 for the Indian School Equalization Formula (ISEF) for fiscal year 1988. This figure is $6,715,000 more than the Administration's request and was arrived at by adding the Congressional Budget Office (CBO) education inflation factor to the Administration's request. The Committee again recommends forward funding for ISEP. In addition, the Committee wants to emphasize that a decision about possible closure of the Phoenix Indian School will be made by the Congress and the Bureau should not anticipate closure until that decision is made.

A subpart of the ISEP account is the Indian School Program Adjustments account which the Committee recommends be funded at the requested level of $2,355,000. No inflation factor is necessary because of the nature of the activities included in the account. The Committee notes with interest and approval the ongoing activity with respect to gifted and talented programs for Indian children in BIA funded schools and the recommended increase for this activity. The Committee looks forward to working with the Administration to develop a stable and permanent program funding base for this purpose in future years.

B through H. (Standards, Handicapped, School Boards, Transportation, Solo Parent, Technical Support and Alcohol/Drug Abuse counselors) For the remainder of the program elements of the School Operations Account the Committee has accepted the Administration's budget estimates but has included the CBO inflation factor in reaching recommended funding levels.

SUBACTIVITY: Johnson-O'Malley Educational Assistance

SUBACTIVITY: Johnson-O'Malley educational assistance

[In thousands of dollars; fiscal years]

Program elements	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
JOM educational assistance	20,351	20,400	20,400	30,160	31,427	32,747	34,122	35,555
Total	20,351	20,400	20,400	30,160	31,427	32,747	34,122	35,555

The Committee recommends an increase of $9,760,000 for Johnson-O'Malley funding for fiscal year 1989 over the fiscal year 1989 budget request for this program. Of the $9,760,000 recommended additional funding, $6,000,000 represents restoration of funds erroneously cut in fiscal year 1986; $1,108,000 represents the application of a 4.2 per inflation factor to the 1988 base with the $6 million add-on; another $2,652,000 has been included to address the critical problems created by P.L. 99-228, an Act of Congress that changed eligibility criteria for the program and resulted in a 13 percent increase in the number of students served by the Johnson-O'Malley program. During the fiscal year 1986 appropriations process, Congress was given inaccurate information by the BIA concerning a projected "carry-over" of dollars to be available to the JOM program in fiscal year 1986. This carry-over was, in fact, mythical, but JOM nevertheless suffered a major funding decrease of $5,813,000 in fiscal year 1986. This funding was not restored in either fiscal year 1987 or 1988 despite this Committee's recommendation to the contrary. The Committee is again strongly recommending that these funds be restored.

SUBACTIVITY: Continuing Education

SUBACTIVITY: Continuing education

[In thousands of dollars; fiscal years]

Program elements		1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
A. Post-secondary schools	....	13,862	11,038	11,038	11,502	11,985	12,488	13,013	13,560
B. Special higher education scholarships	....	1,910	1,910	1,500	1,990	2,074	2,161	2,251	2,346
C. Tribally controlled community colleges:									
Operational grants	....	12,368	12,368	11,653	13,048	13,596	14,167	14,762	15,382
Endowment	....	500	500	0	521	543	566	589	614
Totals	....	28,640	25,816	24,191	27,061	28,198	29,382	30,615	31,902

A. Post-Secondary Schools

The Committee recommends funding for fiscal year 1989 at the base established by the BIA plus an inflation factor, bringing the total recommendation for this activity up to $11,502,000. The BIA base shows a $2,824,000 decrease from the actual fiscal year 1988 appropriation. The decrease represents the transfer of the American Indian Arts Institute in Santa Fe to its new status as an independent institution. This account provides operational costs for the Haskell Indian Junior College in Kansas and the Southwest Indian Polytechnic Institute in New Mexico.

B. Special Higher Education Scholarships

The Committee rejects the request to decrease funding for special higher education scholarships by $410,000. Instead the Committee recommends a funding level of $1,990,000, or $80,000 above the 1988 appropriated level. This represents a 4.2 percent inflation factor. The Committee notes that since 1986 there has been a 10 percent increase in the number of people participating in the program because of the Federal court ruling in Zarr v. Barlow, which extends eligibility to all students who are members of federally recognized tribes, regardless of their degree of Indian blood. The Committee rejects the Department's proposal to fund only applicants in the "priority fields of study".

C. Tribally Controlled Community College

The Bureau has requested $11,653,000 for fiscal year 1989, distributed as follows:

Title I grants	$7,724,000
Title II (NCC)	3,813,000
Technical Asst..	116,000
Endowments	-0-

The Committee recommends funding of title I grants at $8,693,000, an increase of $809,000 over the Administration's proposed level and $344,000 over the 1988 appropriations. This amount represents a 4.2 percent inflationary increase over the 1988 appropriations and an add on of $160,000 in anticipation that the Fond du Lac Tribal College in Minnesota will be approved for Title I funding in fiscal year 1989. Further, the Committee recommends $4,234,000 for the Navajo Community College (title II), an increase of $421,000 over the request and a 4.2 percent increase over the 1988 appropriated level for this college. The Committee recommends an inflationary factor increase for technical assistance and wishes to strongly state its objection to the proposal to cancel funding for the endowment program. There is no rational basis for the justification given for deleting these funds. The 1988 amount appropriated is a minimum amount needed for fiscal year 1989 along with a 4.2 percent inflation increase.

SUBACTIVITY: Tribe/Agency Operations

The Committee is pleased that the education related items in the tribe/agency budget are being displayed in the education function account. The Committee recommends last year's appropriated funding level with an inflation factor for the three program elements in this subactivity.

ACTIVITY: Tribal Services

SUBACTIVITY: Education — tribe/agency operations

[In thousands of dollars; fiscal year]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
A. Scholarships	28,770	28,806	28,477	29,978	31,237	32,549	33,916	35,341
B. TCCC's Snyder Act supplement	918	932	932	971	1,012	1,054	1,099	1,145
C. Adult education	3,141	3,144	3,142	3,274	3,412	3,555	3,704	3,860
Total	32,829	32,882	32,551	34,223	35,661	37,158	38,719	40,346

ACTIVITY: Indian Services
(in Thousands of dollars; fiscal years)

Program	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Tribal government services	8,976	8,841	9,002	7,843	8,204	8,573	8,984	9,434
Social services	93,210	93,206	88,883	93,215	97,503	101,891	106,781	112,120
Law enforcement	4,286	4,016	4,029	3,015	3,154	3,296	3,454	3,628
Self-determination services	52,677	52,754	50,149	62,883	65,776	68,736	72,035	75,637
Employment services	2,473	2,465	2,227	2,627	2,748	2,871	3,009	3,160
Tribe/agency operations	120,776	120,986	116,336	127,987	133,874	139,899	146,614	153,945
Total	282,398	282,268	270,626	297,570	311,259	325,266	340,877	357,922

The funds contained in the tribe/agency operations line-item fund direct service activities located on Indian lands operated by BIA agencies, or through P.L. 93-638 self-determination contracts with Indian tribal governments. The tribe/agency operations funds constitute the funds contained in the "Indian Priority System." The Indian Priority System (IPS) allows tribes to prioritize resources according to local needs. Funds contained in the other line-items fund activities primarily carried out at the Central Office, at 12 area offices, or in various field offices.

The Committee strongly opposes the unilateral reductions by the Bureau to funds in the Indian Priority System, and the unilateral removal of programs from the Indian Priority System. To the extent that tribe/agency operations (Indian Priority System) funding is reduced, the level of services actually provided on Indian lands is reduced. Furthermore, on one hand, the Federal government encourages Indian tribes to more directly participate in local control of Federal services, including contracting those services under the authority of the Indian Self-Determination Act. But on the other hand, the Fiscal Year 1989 budget of the Bureau represents disproportionate reductions in the resources available in the Indian Priority System for local services. If the policy of Indian Self-Determination is to be maintained, then the funds and programs in the Indian Priority System must be protected from reductions and elimination.

The Committee strongly disagrees with the Bureau's assertion that the proposed decreases in tribe/agency operations "result from the application of the Indian Priority System at the tribe/agency level." Given the fact that the BIA has reduced funds in the Indian Priority System by $7,532,000 from the base level (not counting the transfer of road maintenance funds out of the Indian Priority System), the result of the IPS rankings are bound to be extremely skewed in favor of disproportionate reductions to tribe/agency programs.

The Committee disagrees with the Bureau practice of taking contract monitoring costs out of funds that would otherwise be included in funds for tribal self-determination contracts. This practice results in tribes receiving a lower level of funds to perform the same level of services that the Bureau would have provided under Federal operation of the same service. For example, the Bureau has taken $127,000 from the Oglala Sioux Tribe's law enforcement budget in order to pay for Federal contract monitoring costs. This is in violation of Section 106(h) of the Indian Self-Determination Act, which provides:

> (h) The amount of funds provided under the terms of contracts entered into pursuant to section 102 [contracts with the Bureau] and 103 shall not be less

> than the appropriate Secretary would have otherwise provided for his direct operation of the programs or portions thereof for the period covered under the contract: Provided, That any savings in operation under such contracts shall be utilized to provide additional service or benefits under the contract.

The Committee recommends that the Bureau be required to identify the Federal contract monitoring costs associated with each P.L. 93-638 contract in place during Fiscal Year 1988, and to identify the source of those funds and the number of FTEs associated with each contract monitoring function. These costs should be identified by specific tribal contract and by agency for all tribes and BIA agencies in the United States. This data should form the basis for requiring the Bureau to identify all contract monitoring cost as a separate program element under the General Administration activity.

The Committee recommends that the Bureau clarify its budget structure and terminology. The Committee agrees with the return of scholarships, tribal community controlled college supplements and adult education back to the Education activity. The Committee urges the BIA to settle on either the term "Tribal Services" or Indian Services", but to refrain from switching back and forth in the text of the budget. The Committee also recommends that the Committee on Appropriations maintain the separation of the Navajo/Hopi Settlement Program from the Tribal Services Activity.

SUBACTIVITY: Tribal Government Services

SUBACTIVITY: Tribal government services

[In thousands of dollars; fiscal year]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation
Aid to tribal government	6,285	6,337	6,278	5,778
Tribal courts	2,391	2,204	2,424	2,065 *
Substance abuse/alcohol judicial training	300	300	300	0
Total	8,976	8,841	9,002	7,843

*Transfer of $300,000 to tribe/agency Tribal Courts.

The Committee recommends that the proposed "Institute for Tribal Government" not be funded. The Bureau proposes an appropriation of $500,000 and 3 FTEs for this institute. It does not appear to be appropriate to set up such an institute with Federal staffing. In the past, the Bureau has established centralized field facilities to assist tribes, such as the Office of Technical Assistance and Training in Brigham City, Utah. Almost invariably, these centers were expensive to operate, and provided few benefits to tribes. Tribal governments currently have access to a wide range of technical assistance resources including private training organizations. Although such an institute may be a good concept in theory, the proposal for such an institute should come from the tribal governments, not from the Federal government.

The Committee recommends that the budget estimate be reduced by $359,000 and that the proposed "Judicial Services Center" not be funded. The Committee disagrees with Bureau priorities to establish such a center, but at the same time to reduce funding for tribe/agency courts by $135,000. The need for adequate funding of tribal courts is a higher priority than the establishment of a new BIA center with additional FTEs.

The Committee recommends that the $250,000 identified for the Substance Abuse Coordination Office be used to establish this office in the Office of the Assistant Secretary, as directed by the Anti-Drug Abuse Act of 1986 (Public Law 99-570, 100 Stat. 3207-141). The Committee is concerned that the Congress has appropriated $22,500,000 in Fiscal Year 1987 and an additional $3,952,000 in Fiscal Year 1988. However, there appears to have been very little progress in addressing the problems of Indian juvenile alcohol and drug abuse. The Committee urges that the Bureau be encouraged to make these concerns a higher priority.

The Committee recommends that the $300,000 proposed for judicial substance abuse training be transferred to tribe/agency tribal courts to be used for initial funding for juvenile probation officers.

SUBACTIVITY: Social Services

SUBACTIVITY: Social services

[In thousands of dollars; fiscal year]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation
All other social services	2,163	2,140	2,149	2,149
Welfare assistance grants	91,047	91,066	86,734	91,066
Total	93,210	93,206	88,883	93,215

The Committee recommends that $4,400,000 be restored to welfare assistance grants in order to continue to meet the need for adult institutional care in the State of Arizona. The BIA has proposed this reduction in anticipation of the transfer of responsibility for elderly and disabled Indians to the Arizona Health Care Cost Containment System (AHCCCS), a Medicaid demonstration project. However, the BIA has not identified how many of the custodial care clients are potentially eligible for AHCCCS. The State of Arizona and Indian tribal governments are currently working out arrangements to finance services provided to elderly and disabled Indians. These arrangements may include payments to tribal facilities for care of categorically eligible (AFDC and SSI recipients) Indian people. To propose a reduction of $4,400,000 at this time is premature, and may disrupt efforts by the State of Arizona and tribal governments to work out intergovernmental arrangements.

The Committee recommends that $1,932,000 be restored for Indian Child Welfare Act grants in order to continue funding at the Fiscal Year 1988 level.

The Committee recommends that the $2,000,000 proposed for the EARN demonstration program be deleted from the budget. This demonstration project is expected to be funded in Fiscal Year 1988 by funds reprogrammed from welfare assistance grants. The Committee recommends that the BIA provide a report on the results of the projects before proceeding with additional funding.

SUBACTIVITY: Law Enforcement

SUBACTIVITY: Law enforcement

[In thousands of dollars; fiscal year]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation
Law Enforcement--regular	3,036	3,015	3,028	3,015
Substance abuse/alcohol training	1,250	1,001	1,001	0 *
Total	4,286	4,016	4,029	3,015

* Transfer of $1,001,000 to tribe/agency Law Enforcement.

The Committee recommends that the proposed request for an additional $13,000 and 2 FTEs for law enforcement - regular, area office operations be deleted from the budget. The Committee disagrees with BIA budget priorities to increase area office operations and to reduce tribal/agency law enforcement by $2,047,000. Area office administrative costs should not be increased at the same time that direct, local services are decreased.

The Committee recommends that the proposed $1,001,000 for law enforcement substance abuse training be transferred to tribe/agency law enforcement for initial staffing of the juvenile detention centers that are supposed to be constructed with Anti-Drug Abuse funds.

SUBACTIVITY: Self-Determination Services

SUBACTIVITY: Self-determination services

[In thousands of dollars; fiscal year]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation
Training and technical assistance	1,090	1,167	1,083	1,083
Contract support--undistributed	47,787	47,787	46,266	58,000
Small tribes Core Management grants	3,800	3,800	2,800	3,800
Total	52,677	52,754	50,149	62,883

The Committee recommends that contract support (indirect costs) be funded at $58,000,000 in Fiscal Year 1989, which is an increase of $11,734,000 over the base level. The BIA for many years has failed to pay indirect costs on P.L. 93-638 self-determination contracts with tribes. As a result, tribes with trust fund revenues must subsidize these administrative costs, which are a Federal responsibility. This decreases the amount of trust fund revenues that tribes can use for economic development. Tribes without trust fund revenues either operate at a deficit, then carry forward the under-recovery of indirect costs, or else are forced to reduce direct program services in order to comply with Federal requirements for audits, liability insurance, and management systems. Indirect cost rates for tribal governments are negotiated by the Department of the Interior Office of Inspector General in accordance with Office of Management and Budget circulars. The single greatest obstacle to successful implementation of the Federal policy of Indian self-determination has been the failure of the BIA to request adequate funds for tribal indirect costs.

The Committee further recommends that the Office of Inspector General retain the responsibility for negotiating and approving tribal indirect cost rates, instead of transferring that responsibility to the Office of Planning, Budget and Administration. The Committee recommends that $400,000 of funds contained in the contract support program element be appropriated as follows: $250,000 for the purpose of funding 5 FTEs to increase the ability of the Office of Inspector General to meet the increased workload associated with negotiation, approval and audit of tribal indirect cost rates, and $150,000 for travel costs associated with on-site technical assistance to tribes, and to fund a national meeting among the Office of Inspector General, the Bureau of Indian Affairs, the Indian Health Service and Indian tribal governments regarding Federal indirect cost policies and procedures for P.L. 93-638 contracts.

The Committee recommends that the BIA be prevented from excluding indirect costs on education funds passed through the Bureau of Indian Affairs from the Department of Education, including handicapped and Chapter I funds and contracted by tribes under P.L. 93-638 self-determination contracts. The BIA should negotiate an agreement with the Department of Education to pay indirect costs on those funds included in self-determination contracts with tribes before the BIA proposes to not pay indirect costs.

The Committee recommends that the Committee on Appropriations change the term "contract support" to "indirect costs" to avoid any further confusion regarding the purpose of these funds. These funds are used to pay for indirect costs associated with P.L. 93-638 contracts, regardless of whether the indirect cost rate is a lump-sum agreement, a fixed carry-forward rate, a provisional-fixed rate, or a multiple rate agreement. The system of indirect cost rates on contracts with the Federal government is described in OMB Circular A-87. In the past, there has been extensive debate concerning the definition of "contract support costs."

The Committee recommends that the $400,000 included as a part of contract support for "employee displacement costs" be funded instead under the program element "employee compensation payments."

The Committee recommends that Small Tribes Core Management grants be funded in Fiscal Year 1989 at $3,800,000 which is the same level of funding as in Fiscal Year 1988. These funds have been very helpful to small tribes, many of whom have recently become Federally-recognized and have not yet developed indirect cost rates. These funds enable small tribes to develop and implement financial and personnel management systems which are necessary for successful administration of self-determination contracts. The Bureau should be directed to spend the entire $3,800,000 for grants and should not be allowed to spend any of these grant funds to finance Central Office teams to travel around the country to provide technical assistance. If tribes need technical assistance, they can purchase such assistance from providers of their choice with their grant funds, or obtain such assistance from agency or area office personnel.

SUBACTIVITY: Employment Development

SUBACTIVITY: Employment development

[In thousands of dollars; fiscal year]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation
Direct employment	332	325	321	321
Adult vocational training	2,141	2,140	1,906	2,306
Total	2,473	2,465	2,227	2,627

The Committee recommends that the United Tribes Educational Technical Center be funded at $1,898,000 in Fiscal Year 1989.

SUBACTIVITY: Tribe/Agency Operations

SUBACTIVITY: Indian services -- tribe/agency operations

[In thousands of dollars; fiscal year]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation
Adult vocational training	18,835	18,797	17,727	17,727
Other employment assistance--SE	2,932	2,844	2,790	2,790
Community services--general	2,003	2,013	1,671	1,671
Community fire protection	890	892	1,081	1,081
Tribal courts	9,256	9,650	9,515	10,950
Other aid to tribal governments	16,009	15,008	17,324	17,324
Social services	17,602	17,603	18,939	20,275
Law enforcement	46,937	46,872	44,825	49,873
Self-determination Grants	3,000	3,000	0	3,000
Self-determination training and TA	3,108	3,010	2,984	3,010
Tribally Designed Budget Initiative	1,000	1,000	0	0
Chitimacha Tribe	200	200	0	386
Total	120,776	120,986	116,336	127,987

The Committee strongly disagrees with the proposed reduction of $4,650,000 from the Fiscal Year 1989 base level for tribe/agency operations. This subactivity supports direct services on Indian lands, and is the level at which resources are most needed, and most inadequate.

The Committee recommends that Tribal Courts be funded at $10,950,000 in Fiscal Year 1989. This level consists of an increase of $1,000,000 over the Fiscal Year 1988 base, and a transfer of $300,000 from Tribal Government Services (substance abuse) to tribe/agency tribal courts. Tribal courts are essential components of tribal governments. Each tribal court should have the following positions in either a full-time or a part-time basis, depending upon population and workload conditions: judge, prosecutor, public defender, probation officer and court clerk. The BIA should be required to report to the Congress on minimum staffing needs for tribal court operations. The transfer of $300,000 should be used to fund juvenile probation officers in accordance with the purposes of the Anti-Drug Abuse Act (Public Law 99-570).

The Committee recommends that tribe/agency Social Services be funded at $20,275,000 in Fiscal Year 1989. The Committee agrees with the request of an additional $1,336,000 over the FY 1989 base level to fund 83 FTEs for Bureau-operated programs, but notes that none of this increase would be available for tribal-operated programs. Therefore, the Committee recommends an additional $1,336,000 over the estimate for the purpose of reducing child welfare caseload levels for tribal social services programs operated under P.L. 93-638 self-determination contracts.

The Committee recommends that tribe/agency Law Enforcement be funded at $49,873,000 in Fiscal Year 1989. This level restores the proposed reduction of $2,047,000; adds $2,000,000 over the Fiscal Year 1989 base; and transfers $1,001,000 from central office law enforcement services (substance abuse) to tribe/agency law enforcement. Law enforcement services are an essential component of tribal government operations. Given the numerous requests that have come in during last year's appropriations process for add-ons for specific tribal law enforcement programs, it is inconceivable that the level of need would have decreased from Fiscal Year 1988. Furthermore, the additional funds that were appropriated for specific tribal law enforcement programs during the past three years should be continued as on-going base funding for those tribes. The BIA should stop treating Congressional add-ons for tribal law enforcement programs as one time additions. The transfer of $1,001,000 should be used for initial staffing of the juvenile detention centers to be constructed in accordance with the Anti-Drug Abuse Act (Public Law 99-570).

The Committee recommends that Self-Determination Grants be funded at $3,000,000 in order to continue these grants at the same level as Fiscal Year 1988.

The Committee recommends that funding for Self-Determination Training and Technical Assistance be maintained at the FY 1989 base level of $3,010,000. These funds enable the BIA to provide needed technical assistance to tribes in the areas of contract administration and financial management.

ACTIVITY: Navajo-Hopi settlement program

ACTIVITY: Navajo-Hopi settlement program

[In thousands of dollars; fiscal year]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991
Navajo-Hopi settlement program	1,971	1,997	1,997	1,997	1,997	1,997
Total	1,971	1,997	1,997	1,997	1,997	1,997

The program carries out the provisions of P.L. 93-531, the Navajo-Hopi Settlement Act of 1974, as amended. The program's primary objectives are to protect the rights of relocatees, to reduce livestock to carrying capacity, and to restore the management and grazing capacity of rangelands lying within the former Joint Use Area. The Administration proposes a $26,000 increase from its fiscal year 1989 base. Restoration of the Hopi Partitioned Lands was scheduled to be completed in fiscal year 1989 but it is now projected that restoration of all lands in the former Joint Use Area will not be completed until fiscal year 1991. The Committee accepts the fiscal year 1989 request.

ACTIVITY: ECONOMIC DEVELOPMENT

ACTIVITY: Economic development and employment programs

[In thousands of dollars; fiscal year]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Employment development				0	0	0	0	0
Business enterprise development	10,961	10,505	3,636	7,000	7,322	7,651	8,019	8,430
Road maintenance	1,267	24,737	31,064	7,351	7,699	8,036	8,421	8,842
Tribe/agency operations	27,715	3,980	3,536	27,715	28,980	30,294	31,749	33,336
Total	39,943	39,222	38,236	42,066	44,001	45,981	48,189	50,608

Indian Business Development Program

The Indian Business Development Program provides grants to Indian tribes and Indian individuals for the purpose of: (1) initiating business development of tribal resources; (2) encouraging non-federal investment; (3) promoting sound business principles; (4) reducing tribal dependence of the Federal Government; and (5) promoting private sector development on reservations.

The Administration has requested that no funds be requested for this activity in FY 1989 as the Bureau will be emphasizing its loan programs and increasing the volume of loans on reservations as the primary means of boosting Indian economies. The amounts provided in the Guaranteed Loan Program will support increased loans of $11,500,000 over the FY 1988 level. Applicants will be provided additional technical assistance, through increases being proposed in the credit and financing program, to identify potential sources of private sector financing. (See the following chart)

Appropriations/ Budget Authority

FY 1987 Actual	FY 1988 Est.	FY 1989 Est.	- or + Difference
$7,500,000	7,000,000	-0-	-7,000,000

The Committee recommends that the $7 million grant program be continued since it has proven to be a very effective method of supporting small businesses on reservations where there is often no other source of investment capital. When these grant funds are used properly as modest injections of equity capital, i.e. usually no more than 20% of the business start-up or expansion costs, a $7 million account can help a great many businesses.

On the other hand, the Administration proposal to allocate the $7 million for guaranteed loan subsidies has not been justified. A federal guarantee, as in the case of Small Business Administration guarantees, should be sufficient to enable banks to make loans to Indian businesses. The subsidy often makes the loan extraordinarily profitable for such banks without particularly benefitting the Indian borrower. Consequently, the Committee recommends that the grant program be continued.

INDIAN DEVELOPMENT FINANCE CORPORATION:

On March 3, 1988, the Senate Select Committee on Indian Affairs approved S. 721, a bill to establish an Indian Development Finance Corporation. The Committee anticipates that this bill will be passed by the Congress before the end of fiscal year 1988 and consequently recommends that fiscal year 1989 funding be provided.

The Indian Development Finance Corporation is intended to provide for and promote the economic development of Indian tribes by furnishing the necessary capital, financial services, and technical assistance to Indian-owned business enterprises and to stimulate the development of the private sector of Indian tribal economies. This assistance has been long awaited by Indian tribes and should be implemented as soon as possible.

The Committee recommends that the Corporation be funded in fiscal year 1989 at $14.5 million. This total is broken down as follows:

General Operation Expenses	$ 2,000,000
Project Development	$ 2,500,000
Paid-in Capital Stock	$10,000,000

NATURAL RESOURCES DEVELOPMENT

ACTIVITY: Natural Resources Development

[In thousands of dollars; fiscal year]

:	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Natural resources, general	1,887	1,885	2,794	2,794	2,923	3,054	3,203	3,361
Agriculture	4,354	4,414	3,537	4,207	4,401	4,599	4,819	5,060
Forestry	37,490	37,423	27,852	31,002	32,428	33,887	35,514	37,290
Water resources	9,467	9,469	1,069	9,469	9,906	10,350	10,847	11,389
Wildlife and parks	14,540	14,676	10,880	14,676	15,351	16,042	16,812	17,653
Minerals and mining	7,883	7,874	6,824	7,883	8,245	8,617	9,030	9,482
Irrigation	8,015	8,104	7,704	8,015	8,384	8,761	9,181	9,641
Tribe/Agency Operations	62,374	61,782	59,310	62,162	65,022	67,948	71,206	74,770
Total	146,010	145,627	119,970	140,208	146,660	153,258	160,612	168,646

This budget activity is composed of seven subactivities or program elements: Natural Resources, General; Agriculture; Forestry; Water Resources; Wildlife and Parks; Minerals and Mining; and Irrigation. A separate request for a portion of funding for each of these programs is made for tribe/agency operations under this activity.

The Administration proposes an overall decrease of $21,735,000 from FY 1988 appropriations for Natural Resources Development, and a reduction of 30 FTEs.

SUBACTIVITY: Natural Resources, General

SUBACTIVITY: Natural resources, general

[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Natural resources, general	1,887	1,886	2,794	2,794	2,923	3,064	3,201	3,361
Total	1,887	1,885	2,794	2,794	2,923	3,064	3,201	3,361

The major function of this program element is to provide direction and support in the planning and management of renewable resources of Indians. The major focus of the program is to provide data and data analysis for multi-resources disciplines.

The Administration proposes an increase of $909,000 for Natural Resources, General, but a reduction of 7 FTE's at the Area Office level. The Administration proposal reflects an increase of $1,075,000 for Field Operations and a decrease of $166,000 for Area Office Operations. The increase is proposed to implement a major initiative begun in April 1986 to develop a major data base on Indian resources known as the Indian Integrated Resources Information Program (IIRIP). A companion part of this information base is a Geographic Information System (GIS). Resources involved in these systems are water, wildlife, fish, agriculture, forestry, grazing, and minerals.

The Committee accepts the Administration's estimates for this program.

SUBACTIVITY: Agriculture and Forestry

SUBACTIVITY: Agriculture

[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 baseline	1989 Administra-request	1989 SCIA recommendation	1990	1991	1992	1993
Agriculture	4,354	4,414	3,537	4,207	4,401	4,599	4,819	5,060
Total	4,364	4,414	3,537	4,207	4,401	4,599	4,819	5,060

The BIA Natural Resources program provides a wide range of services for the management, use and protection of natural resources on Indian reservations. This includes approximately four-fifths of the Indian trust land base which is used directly by Indian farmers or ranchers or leased to non-Indian operators for agricultural use. The use of Indian land by non-Indian renters provides a significant contribution to the income of both individual allottees and tribal governments. This division of the BIA is also responsible for forestry, fish, wildlife, and parks, water resource development and hazardous waste activities on reservations. The fiscal year 1988 budget for the Forestry and Agriculture line-item was $67,738,000. The Administration's request for fiscal year 1989 is $46,132,000. The Committee recommends restoration of the fiscal year 1988 base in addition to increased funding for specific purposes.

The BIA budget includes a request of $700,000 for Agriculture Technical Assistance Centers. The Committee agrees that increased technical assistance is warranted for Indian agricultural activities. The Committee supports the Administration's request for $700,000, but does not agree with BIA's proposed use of these monies. The Committee supports the request for $700,000 provided that the following activities be conducted with the funding:

(1) Continued funding of the Intertribal Agriculture Council. In the fiscal year 1988 budget, $250,000 was provided to support the new Intertribal Agriculture Council (IAC) which was organized as a result of the report presented to Congress as required by P. L. 99-190 which directed the BIA to develop long-term strategies to address the effectiveness of its management of Indian agricultural resources. The Committee believes that the new IAC should continue to receive funds in the amount of $250,000, in the form of a grant for the purposes of the organization as established in fiscal year 1988.

(2) Development of BIA supported agricultural extension-type services on reservations. The BIA's P. L. 99-109 report to Congress also identified the need for agricultural extension services for Indian reservations. The Committee notes that in 1981, $2.5 million was made available through the Department of Agriculture for extension service activity to benefit Native American farmers. By 1987 that amount had been reduced to $605,000. Extension services available through the BIA were also reduced during this period. The Committee concurs with the Administration request for funding of this activity and would support efforts of the BIA to develop demonstration programs on selected reservations to provide agricultural extension services. The Committee notes that the Tribally Controlled Community Colleges could play a significant role in this effort.

(3) Recommendations for increasing the number of Native Americans in the natural resources field. The Committee notes that by 1995, approximately 70% of the existing BIA natural resources staff will need to be replaced because of retirement. There is a shortage of trained Native Americans in the natural

resources and technical fields and a need to support educational efforts to provide such training. As an illustration of the problem, the U. S. Soil Conservation Services hoped to hire 50 Native American technicians this year and has been unable to find enough trained Native Americans to fill the positions. The Committee urges that with the funds available for the Agriculture Technical Centers the BIA conduct a study and provide the Congress with recommendations on how to recruit and train more Native Americans in the renewable natural resources fields. In addition, the BIA should take steps in fiscal year 1989 to work with existing tribal and community colleges to begin this task.

In fiscal year 1988, $730,000 was appropriated for the control of noxious weeds. This was the first year of funding for the noxious weed control program. For fiscal year 1989 the Administration requests only $330,000 -- a reduction of $400,000 -- and states that a comprehensive survey will be conducted in this fiscal year to identify critical weed infested areas on Indian lands. The Committee disagrees with this request. The problem of noxious weeds is well known, particularly in the Great Plains region, and should not require a five year plan to undertake noxious weed eradication or control. The Committee recommends that this program be funded at no less that $1 million -- an increase of $670,000.

SUBACTIVITY: Forestry

SUBACTIVITY: Forestry

(In thousands of dollars; fiscal years)

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Forestry	37,490	37,423	27,852	31,002	32,428	33,887	35,514	37,290
Total	37,490	37,423	27,852	31,002	32,428	33,887	35,514	37,290

The BIA forestry program is responsible for the management of over 14 million acres of forest land on 115 Indian reservations. Of this amount, 5.8 million acres have been identified as commercial forest land with an annual allowable cut of 1.03 billion board feet. The total funding request for the forestry program consists of $27,852,000 for Forestry and Fire Suppression and $18,070,000 for Tribe/Agency operations.

The Administration's Budget Request for Forestry and Fire Suppression represents a reduction of $9,571,000 and a reduction of 44 FTEs. This includes a reduction of $221,000 for Area Office Operations, $3,150,000 and 20 FTEs for Forest Development, and $6,300,000 and 24 FTEs for Fire Suppression.

The Administration proposed a reduction of $3,150,000 in the BIA Forest Development Program in its Budget Request for FY 1988. The proposed reduction was opposed strongly by the Select Committee on Indian Affairs. Once again, the Committee opposes the proposed reduction of $3,150,000 in the BIA Forest Development Program. The proposed reduction would delay elimination of the reforestation backlog from the present target of 1995 until several years into the next century. The proposed reduction would reduce substantially field capability (both contracting and direct employment) for thinning and reforestation. The Forest Development program is intended to alleviate reforestation needs caused by past mismanagement of Indian forest lands. This program deserves the highest priority, and every effort should be made to eliminate the reforestation backlog at the earliest possible date.

The Committee also opposes the Administration proposal to reduce the Timber Sale program by $2,454,000 from the base level for FY 1989. The Administration proposes a reduction of 12 percent in funding and 4 percent in FTEs. Nevertheless, the Administration suggests that it will offer 850 million board feet of timber, and harvest 820 million board feet, increases of 6.25 percent and 8.6 percent respectively. Even given the increase in value of timber over last year, the Committee is skeptical that 50 million board feet of timber more than last year can be offered and 65 million board feet more can be harvested given the proposed reductions in funding and FTEs.

SUBACTIVITY: Water resources

SUBACTIVITY: Water resources

[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 baseline	1989 Administra- request	1989 SCIA recommendation	1990	1991	1992	1993
Water resources	9,467	9,469	1,069	9,469	9,906	10,390	10,847	11,389
Total	9,467	9,469	1,069	9,469	9,906	10,390	10,847	11,389

The Water resources program supports the development of tribal water resources for irrigation, municipal and industrial purposes.

The Administration Request proposes to eliminate funding for water management and development, for which Congress appropriated $9,000,000 for FY 1988. The Administration request assumes the transfer of $7,500,000 to Water Rights Negotiation/Litigation for activities undertaken on behalf of tribes whose water rights are at risk.

The Committee opposes this reduction, and recommends that funding be provided for Water Resource Development at last year's level. The Administration justifies this reduction by arguing that " ... water resource development should only be considered after federally reserved water rights of a significant number of tribes have been resolved." The Committee is extremely troubled by this view. The Federal Government has a trust responsibility to each Federally-recognized Indian tribe, and it seems inequitable and inappropriate to force a tribe to delay its plans for water development until other tribes are prepared to develop their water resources.

SUBACTIVITY: Wildlife and parks

SUBACTIVITY: Wildlife and parks

[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Wildlife and parks	14,840	14,676	10,000	14,676	15,351	16,042	16,812	17,653
Total	14,840	14,676	10,000	14,676	15,351	16,042	16,812	17,653

The Administration proposes funding of $10,880,000 for wildlife and parks, a reduction of $3,660,000 from FY 1988 appropriations of $14,540,000. The Administration request anticipates reductions of $4,312,000 for Special Fish Management Programs, including the elimination of funding for the Timber/Fish/Wildlife initiative ($2,000,000 in FY 1988) and reductions of $1,270,000 for the Great Lakes Indian Fish and Wildlife Commission and $443,000 for implementation of the U.S.-Canada Salmon Interception Treaty. Futhermore, the Administration request proposes to eliminate funding for cyclical maintenance of fish hatcheries, which received $857,000 in FY 1988, and the return to the BIA of the five hatcheries transferred from the BIA to the USFWS in the FY 1988 Continuing Resolution.

The Committee objects in the strongest possible terms to the "general retreat" of the Administration from programs to protect and enhance tribal fish and wildlife resources. This includes especially the massive reductions from the so-called special fishery management programs. These programs were undertaken to resolve conflicts between Indian tribes and states and, in the case of the U.S-Canada Salmon Interception Treaty, with foreign governments. These programs are examples of the cooperative efforts to resolve disputes that should be encouraged, rather than opposed by the Federal Government.

SUBACTIVITY: Minerals and mining/Irrigation

SUBACTIVITY: Minerals and mining

[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Minerals and mining ..	7,883	7,874	6,824	7,883	8,246	8,617	9,030	9,482
Total	7,883	7,874	6,824	7,883	8,246	8,617	9,030	9,482

SUBACTIVITY: Irrigation

[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Irrigation	8,015	8,104	7,704	8,015	8,384	8,761	9,181	9,641
Total	8,015	8,104	7,704	8,015	8,384	8,761	9,181	9,641

For fiscal year 1989 the Administration proposes to reduce the Energy and Mineral Assessments Program by $1,059,000. This reduction will come from the budget for Tribal and Special Projects which is reduced from $5,724,000 to $4,674,000. In the past, Phase II mineral studies which are undertaken when favorable conditions for significant mineral development have been identified, have been performed by the U. S. Geological Survey or the Bureau of Mines. For fiscal year 1989, the Administration proposes to contract directly with tribes to perform these functions under the Tribal and Special Projects budget. The Committee disagrees with the proposed reduction for this effort and recommends that Minerals and Mining program be funded at the same level as fiscal year 1988 -- $7,883,000. In addition, the Committee notes that in fiscal year 1988 funds were made available to the Council of Energy Resource Tribes through an Inter-agency Agreement with the Department of Energy. The Committee urges continued funding of CERT at the fiscal year 1988 level through this mechanism. The Committee accepts the Administration's request for irrigation operation and maintenance.

SUBACTIVITY: Natural Resources Development — Tribe/Agency Operations

[In thousands of dollars; fiscal year]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Natural resources, general	1,554	1,554	1,405	1,405	1,470	1,536	1,609	1,690
Agriculture	20,180	19,833	20,313	20,313	21,247	22,204	23,269	24,433
Agric. Extension Services	448	331	473	473	486	517	542	569
Forestry	20,842	20,524	18,070	20,608	21,556	22,526	23,607	24,788
Water resources	1,266	1,272	1,108	1,272	1,331	1,390	1,457	1,530
Wildlife and parks	16,451	16,563	16,413	16,563	17,325	18,105	18,974	19,922
Minerals and mining	1,633	1,615	1,528	1,528	1,508	1,670	1,750	1,838
Total	62,374	61,792	59,310	62,162	65,022	67,948	71,208	74,770

ACTIVITY: Trust responsibilities

ACTIVITY: Trust Responsibilities

[In thousands of dollars; fiscal years]

	1988 - enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Indian Rights Protection	12,738	12,725	18,961	11,261	11,779	12,309	12,900	13,545
Real Estate/Financial Trust	17,793	17,634	19,309	19,309	20,197	21,106	22,119	23,225
Tribe Agency Operations	24,864	24,438	23,627	23,627	24,714	25,826	27,066	28,419
Total	55,395	54,797	61,897	54,197	56,690	59,241	62,085	65,189

The Trust Responsibilities budget activity is composed of two major subactivities: Indian Rights Protection and Real Estate/Financial Trust Services. Program elements of Indian Rights Protection are: Environmental Quality and Rights Protection. Program elements of Real Estate/Financial Trust Services are: Trust Services General, Real Estate Services, and Financial Trust Services. A separate request for a portion of funding for each of these programs is made for the Tribe Agency Operations subactivity.

SUBACTIVITY: Indian Rights Protection

ACTIVITY: Trust

SUBACTIVITY: Indian rights protection

[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Environmental quality	567	586	666	666	697	720	763	801
Indian Rights protection	12,171	12,139	10,095	10,595	11,082	11,581	12,137	12,744
Total	12,738	12,725	10,761	11,261	11,779	12,301	12,900	13,545

The Indian Rights Protection subactivity is composed of two program elements: Environmental Quality, and Indian Rights Protection. The objectives of the Environmental Quality program are to comply with a number of Acts dealing with environmental quality such as NEPA and historic preservation and protection required by such statutes as the Archeological Resources Protection Act. Funding for the program is split about evenly between the Central and Area Office level and the Tribe/Agency Operations level. The Administration proposes a minor increase in funding for this program. The Committee accepts the Administration's estimate for this program, however the Committee recommends that $175,000 be allocated for Information Dissemination and Policy Analysis to be conducted under contract with the National Congress of American Indians.

There are seven program elements that fall within the Indian Rights Protection program: ANILCA programs; ANCSA historical cemetery sites; Litigation support; Water rights negotiation/litigation; Attorney fees; Unresolved rights issues; and Hunting and fishing rights. The Administration request will continue to support the ANILCA programs at the fiscal year 1988 level. A slight reduction in the ANCSA historical cemetery sites program is proposed. The Unresolved rights program and the Hunting and fishing rights program will also be funded at the fiscal year 1988 level. The Committee accepts the Administration request for funding of these programs.

The Administration request proposes to reduce funding for the Litigation support program from $1,800,000 appropriated in fiscal year 1988 to $1,180,00 in fiscal year 1989 -- a reduction of $700,000. The Litigation Support Program provides information and evidence required by the United States in participating in litigation involving Indian rights. Support is also provided to tribes where they are separately represented because of conflicts of interests with the United States. The Attorney Fees program for funding of outside attorneys is also a part of the litigation support effort, providing support for separate representation of the tribes in the event of conflicts of interest with the United States or where the Attorney General otherwise declines to represent tribal interests. The Administration proposes to reduce funding for this program from $1,650 to $1 million -- a reduction of $650,000.

The proposal to decrease funding for the Litigation Support by $700,000 is a reduction of effort of approximately 40 percent. In explanation of this reduction it is stated that the reduction reflects the one-time costs of the Puyallup land claims negotiations (-$400,000), and the deletion of funds (-$300,000) formerly used for the Alaska Native legal services contract which has been terminated. In explanation for the proposed reduction of $650,000 for the Attorney Fees program, it is stated that the reduction reflects the reduction of $500,000 to pay outstanding attorney's fees for the Navajo and Hopi tribes, and that the remainder of the funds requested should be sufficient to meet requests. The Committee expresses no position on these proposed reductions but invites further attention of the Appropriations Committee.

The major change in the Indian Rights Protection budget activity is an increase of funding for Water Rights Negotiation/Litigation in the amount of $7.5 million. The source for the increase in funding for Water Rights Negotiation/Litigation activity is the Water Resources activity under Natural Resources (See pgs 130-31, Justification) where the budget activity for Water Management and Development is decreased by $9 million, thus eliminating that program for FY '88. In justifying this request the Department states at page 170 of the Justification that "Funding for water resources development should only be considered after federally reserved water rights of a significant number of tribes have been resolved."

The Committee does not agree with the proposed elimination of the Water Resources activity and does not agree with the proposed transfer of funds from that activity to the Water Rights Negotiation/Litigation activity. The Committee therefore recommends that the Water Rights Negotiation/Litigation program be funded at the fiscal year 1988 level of $2,853,000 -- a reduction of $7.5 million from the Administration's request.

SUBACTIVITY; Real estate/financial trust services

SUBACTIVITY: Real estate/financial trust services

[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Trust services general	1,365	1,354	1,070	1,070	1,119	1,173	1,226	1,287
Real estate services	10,346	10,309	11,403	11,403	11,928	12,464	13,063	13,716
Financial trust services	6,082	5,971	6,836	6,836	7,150	7,472	7,831	8,222
Total	17,793	17,634	19,309	19,309	20,197	21,109	22,120	23,225

The Trust Services General Program provides general management and technical assistance on matters effecting trust assets. This subactivity is composed of three program elements: Trust Services General; Real Estate Services; and Financial Trust Services. There are no new major program initiatives in this request and no major changes from fiscal year 1988 funding levels.

The Real Estate Services program is responsible for the maintenance of land titles, heirship data and property income data for over 200,000 tracts and separate records on 2 million ownership interests. An increase of $1 million is sought to enhance the Land Records Information System effort. The Committee agrees with the need to upgrade the land title records. The Committee accepts the Administration's estimate for this program.

The objective of the Financial Trust Services program is the investment, accounting and disbursing of approximately $1.7 billion of trust funds owned by Indian tribes or by individual Indians. A slight increase in funding for this program over the fiscal year 1988 level is requested. The Committee accepts the Administration's estimate for this program.

SUBACTIVITY: Tribe/Agency Operations

SUBACTIVITY: Tribe Agency Operations

[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Trust Services, General	373	372	395	395	413	432	452	475
Environmental Quality	692	669	659	659	689	720	755	793
Other Rights Protection	3,533	3,427	3,167	3,167	3,313	3,462	3,620	3,809
Real Estate Appraisals	3,645	3,566	3,327	3,327	3,480	3,637	3,811	4,002
Other Real Estate Services	16,621	16,404	16,079	16,079	16,817	17,575	18,419	19,340
	24,864	24,438	23,627	23,627	24,712	25,826	27,057	28,419

The Tribe Agency Operations subactivity consists of five program elements: Trust Services, General; Environmental Quality; Other Rights Protection; Real Estate Appraisals; and Other Real Estate Services. There are minor reductions in funding for these programs from fiscal year 1988. While the Committee accepts the Administration's estimates for these programs, the Committee is concerned with the current status of maintenance of the land title records. The Committee notes that funding for the Other

Real Estate Services program is reduced by $325,000 from fiscal year 1988 and this reduction is attributed to the tribal input through the Indian Priority System. Maintenance of land titles is a fundamental aspect of the trust responsibility and the Committee urges the Department to examine its staffing needs in this critical area.

ACTIVITY: Facilities Management

ACTIVITY: Facilities management

[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
GSA rentals	9,936	9,941	9,941	9,941	10,399	10,866	11,388	11,957
Facilities operation and maintenance	72,205	71,464	71,703	71,703	75,001	78,377	82,138	86,245
New facilities	0	0	67	67	70	73	77	81
Total	82,141	81,405	81,711	81,711	85,470	89,316	93,603	98,283

The Committee disagrees with the Bureau's priorities for expenditure of facilities operation and maintenance funds. The Bureau proposes to decrease funding for existing facilities operation and maintenance (-$1,000,000) as a result of a transfer of operation and maintenance funds to area office staff (+$1,239,000). The Committee recommends that $1,000,000 be restored for existing facilities operation and maintenance and that the transfer of $1,239,000 for area office facilities management be denied.

The existing facilities operation and maintenance program provides essential services to approximately 4,000 Federal buildings (including tribally-contracted schools, and excluding staff quarters). These buildings include: school classrooms, administrative offices, cafeterias, gymnasiums, dormitories; agency administrative and program offices; law enforcement and detention facilities; and the grounds and streets associated with these buildings. On-going preventive maintenance of these facilities is necessary to protect the Federal property.

In Fiscal Year 1988 the Bureau requested, and received, a reduction (-$6,000,000) in existing facilities operation and maintenance funds, based upon anticipated savings. The Bureau should report back to the Congress on whether these anticipated savings have been achieved, and whether the Bureau has met all needs for operation and maintenance of existing facilities, before any further reductions are allowed. The Committee is concerned that savings will not be realized, and that the costs of facilities operation and maintenance will be transferred to program accounts.

ACTIVITY: General Administration

ACTIVITY: General administration

[In thousands of dollars; fiscal years]

	1989 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Management and administration	37,400	37,180	38,316	38,316	40,079	41,882	43,892	46,087
ADP service	16,814	16,761	19,631	14,861	15,545	16,244	17,024	17,875
Employment compensation payments	11,603	15,130	14,962	15,362	16,068	16,792	17,598	18,478
Program management	6,023	5,934	5,814	5,814	6,081	6,355	6,660	6,993
Consolidated training programs	840	840	840	840	879	918	961	1,010
Tribe/agency operations	19,356	18,806	19,970	19,970	20,889	21,829	22,876	24,020
Total	92,036	94,651	99,533	95,163	99,541	104,020	109,011	114,463

SUBACTIVITY: Automatic Data Processing Services

The Committee recommends a funding level of $14,861,000 for Automated Data Processing (ADP) Services. This includes $5,763,000 for central management (104 FTEs), $7,250,000 for central management system support, and $1,848,000 for decentralized system support (40 FTEs). The Committee recommends that funding requests be denied for equipment acquisition ($500,000), software development and training ($700,000), the hardware requirements analysis task force ($500,000), the systems improvement initiatives ($400,000) and field system equipment replacement ($2,000,000). The Committee recommends that the Department of the Interior and the Congress closely examine the benefits of ADP expenditures of approximately $17 million per year for the past five years. The request for 21 additional FTEs for central management should be denied.

The Committee supports the need to develop a responsive information management system for the Bureau and for tribes. However, the Committee questions whether the existing Office of Data Systems has developed a system that supports the management of Bureau programs at the local agency and tribal levels.

The Committee questions the growth of personnel for the Central Office from 91 FTEs in Fiscal Year 1987 to a proposed level of 125 FTEs in Fiscal Year 1989. It appears that the Office of Data Systems is building a large bureaucracy in the Central Office, instead of building a decentralized system that is responsive to the needs of both Central Office and field managers. The Committee questions whether the Bureau maintains an ADP review committee, similar to that used by other Federal agencies, for the purpose of providing management review of proposed ADP equipment purchases. The Committee notes that the Bureau received $400,000 in Fiscal Year 1988 for a Hardware Requirements Analysis Task Force, and requests another $500,000 in Fiscal Year 1989 for the same task force. The Committee believes that the Bureau should identify the purpose of the task force, its membership, to whom it reports, and when it expects to complete its hardware requirements analysis. The Committee notes that the Bureau requests funds for equipment acquisition at the same time that the Bureau requests funds for hardware requirements analysis.

The Committee also questions the requested increase of $2,000,000 for "field system equipment replacement." The justification for this increase is "to replace three of the present six Information Management Centers (IMC's) and their present hardware and software configurations with six Field Service Centers." (BIA Budget Justification, Page 205). According to the Office of Data Systems, $2,000,000 is sufficient to replace equipment in all six of the existing IMCs. Therefore, this funding request does not appear to have been carefully developed on the basis of actual costs. Furthermore, there are twelve area offices, but only six IMC's. The Navajo Area Office, which oversees Bureau services to the largest tribe in the nation, receives data services from the Albuquerque IMC. The Committee questions the ability of the existing IMC's to provide adequate services to multiple area offices. Futhermore, the Committee questions the practice of having the IMC's report to the Office of Data Systems in Washington, DC instead of reporting to local Bureau Superintendents and Area Directors, who need the data for management purposes.

The Committee recommends that before proceeding with increased funding over the Fiscal Year 1988 enacted level for ADP Services, that the Congress review the various General Accounting Office and Department of the Interior Office of Inspector General reports regarding problems with the Bureau's ADP systems. The Committee urges the Committee on Appropriations to carefully review the findings of a current investigation by the Office of Inspector General regarding obligation of Fiscal Year 1987 funds for equipment purchases, changes to purchase orders without the concurrence of the contracting officer, and inappropriate charges to program accounts.

The Committee questions the costs associated with the installation and operation of the two Amdahl mainframes that were acquired by the Bureau. The actual costs of installation, and the source of those funds, need to be identified and certain fundamental questions (as outlined below) addressed. These costs might be contained in the $7,250,000 identified for "central management system support." If these costs were absorbed from existing funds, then what other funded activities were curtailed? If the installation costs were one-time costs, then will there be a surplus in Fiscal Year 1988? The Bureau justified the acquisition of the surplus Amdahl mainframes on the basis of anticipated savings in operating costs. Does the Bureau have any indication of savings that have been realized? What have been the specific amount of savings, both in terms of dollars and in terms of FTEs? What has been the performance record of the Amdahl mainframes? Does the Bureau have a backup system to the Amdahl mainframes?

Many of these problems go back to Fiscal Year 1981, when the Bureau entered into a $20 million contract with the Burroughs Corporation to obtain computer hardware without advance planning. Terminals were delivered to tribes without advance notice. Many pieces of equipment were left in boxes and were not installed because the Bureau had not determined the application for this equipment.

In Fiscal Year 1983, the Bureau passed approximately $4 million of the annual costs of the Burroughs equipment to the

Areas. The Bureau took costs for equipment acquisition from local agency budgets and from tribal P.L. 93-638 self-determination contracts. In the Phoenix Area, the costs to the agencies and tribes was $700,000. Those costs have never been restored to tribal contracts.

The failure of the Bureau to work closely with local program personnel and local managers persists. This year, the Bureau is installing new "Beehive" terminals in the agencies. In the Phoenix Area, these terminals have been installed for realty, IIM and enrollment functions, but they have not been installed for social services functions. The Bureau turned off the existing data systems for social services operations on March 21 in spite of the fact that the "Beehive" terminals for social services will not be installed until after April 1. This action was justified on the basis of a low data volume for social services programs. However, more than 4,000 assistance checks are processed each month in the Phoenix Area. During a training session on the new Beehive terminals for social services personnel on March 16, the Beehive terminals failed to function properly. The Bureau should be required to report to the Congress on the costs of the Beehive terminals and the source of funds. Local agency programs and tribal self-determination contracts should not be charged for the costs of the terminals, or for the costs of installation, operation and training.

These types of problems could be avoided if the Bureau took an interest in working with local service providers, managers and tribal governments. The Congress should withhold any increases in funding for Bureau ADP Services until the Bureau begins to work with those who input the data and process the reports and are responsible for the local management of programs.

SUBACTIVITY: Employee Compensation Payments

The Committee recommends that the program element "employee displacement costs" contained in the program element "contract support" be transferred to the subactivity employee compensation payments and be funded at the level of $400,000 in Fiscal Year 1989, the same amount as the request under contract support. In the future, the Bureau should identify the number of employees displaced as a result of tribal contracting under the Indian Self-Determination Act, and the costs associated with displaced Federal employees.

ACTIVITY: CONSTRUCTION

ACTIVITY: Construction

[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 Baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Building and utilities	41,100	41,100	32,360	37,560	39,176	40,888	42,780	44,833
Irrigation system	15,408	15,300	7,210	15,160	15,812	16,508	17,367	18,087
Housing	22,827	22,737	17,223	22,827	23,808	24,887	25,900	27,248
Fish hatcheries	1,600	1,600	0	1,600	1,565	1,633	1,708	1,790
Land acquisition	2,290	2,290	0	2,250	2,347	2,430	2,563	2,686
	83,225	82,947	56,793	79,397	82,708	86,347	90,317	94,654

In the FY 1988 Continuing Resolution, Congress for the first time separated construction projects from programmatic activities. The construction activity is segregated into subactivities for buildings and utilities, irrigation systems, housing, land acquisition, and hatcheries. The Administration's Budget Request for FY 1989 includes $56,793,000 for construction activities. The request is a reduction of $26,432,000 from FY 1988 appropriations.

SUBACTIVITY: BUILDINGS AND UTILITIES

Subactivity: Buildings and Utilities
[In thousands of dollars; fiscal years]

Program Elements	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Buildings and utilities								
Education projects	14,800	14,800	8,400	12,600	13,142	13,720	14,351	15,040
Advance planning & design	1,000	1,000	0	1,000	1,043	1,089	1,139	1,194
Telecommunications improvement & repair	0	0	1,500	1,500	1,565	1,633	1,708	1,790
Facilities improvement & repair	25,360	25,360	22,460	22,460	23,426	24,457	25,582	26,809
Total	41,160	41,160	32,360	37,560	39,176	40,899	42,780	44,833

This activity provides for the construction and rehabilitation of BIA facilities. The Administration has requested $32,360,000 for buildings and utilities, a decrease of $8,800,000 from the amount appropriated in FY 1988. The request represents a decrease of $6,400,000 for Education Projects and $2,900,000 for facilities improvement and repair. The Administration has not requested any funds for Advance Planning and design.

The Committee does not agree with the Administration's proposal to fund construction of only one new school and to seek no funding for planning and design of any other new schools.

The Administration has requested funding of $8,400,000 for construction of the St. Francis Indian High School at Rosebud, South Dakota. The Committee recommends additional funding for new school construction in the amount of $4,200,000 over the $8,400,000 requested for new school construction. This additional funding will permit construction of the following new facilities:

Papago Cottage Dormitory Project, Arizona	$1,800,000
Turtle Mountain Middle School (increase)	2,400,000
	$4,200,000

The Papago Cottage Dormitory Project will house 96 children at an existing school location in lieu of rehabilitation of a dormitory facility at Santa Rosa, some 35 miles distant from the school. The increase proposed to the existing appropriation for construction of the Turtle Mountain Middle School will permit completion of this project in accordance with original design specifications.

The Committee also recommends an increase of $1,000,000 to provide funding for planning and design for new school construction based on the priority list currently being developed by the Bureau of Indian Affairs. In fiscal year 1988, by Congressional directive, the moratorium on new construction applications was lifted, and the application process was reinstated. The Bureau has not yet established a priority list for school construction. However, the Oglala High School at Pine Ridge, South Dakota, was first on the priority list for planning and design in fiscal year 1988. Funds for planning and design of this facility were estimated at $420,000 in the last fiscal year. The Committee intends that the $1 million recommended for planning and design in fiscal year 1989 include funds for the Oglala High School.

SUBACTIVITY: IRRIGATION CONSTRUCTION

Subactivity: Irrigation system
[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 Baseline	1989 estimate	1989 SCIA recommendation	1990	1991	1992	1993
Irrigation construction	7,950	7,950	0	7,950	8,292	8,657	9,055	9,480
Engineering and Supervision	2,038	1,038	1,610	1,650	1,721	1,797	1,878	1,970
Surveys and Designs	900	500	90	90	52	54	57	60
Safety of Dams	5,600	6,000	5,510	5,610	5,747	6,000	6,276	6,577
Total	16,488	15,488	7,210	15,300	15,812	16,508	17,267	18,087

This activity provides for the construction, extension, and rehabilitation of irrigation projects, dams, and related power systems on Indian reservations. The Administration has requested $7,210,000 for irrigation systems, a decrease of $8,278,000. The Administration has not requested any funds for irrigation construction, compared to the $7,950,000 appropriated in FY 1988.

The Administration has not requested any funding for irrigation projects for fiscal year 1989. The Committee recommends that funding for this activity be provided at the same level as fiscal year 1988 -- $7, 950,000. In fiscal year 1988 this Committee identified a number of irrigation projects on the priority list of the Bureau of Indian Affairs. The Fallon Paiute project in Nevada was shown as first priority ($1,250,000) and the Navajo Indian Irrigation Project was identified as second in priority ($3,300,000). The Committee recommends that the Fallon Paiute project be funded within the sums recommended by the Committee and that funds be provided for the Navajo Indian Irrigation Project in an amount sufficient to develop an additional one-half block.

SUBACTIVITY: FISH HATCHERIES CONSTRUCTION

For FY 1988 Congress appropriated $1,500,000 for the rehabilitation of tribally-owned fish hatcheries. The Select Committee on Indian Affairs recommended appropriations of $6,440,000 for rehabilitation work at 46 fish hatcheries throughout the United States. The Committee recommendation was based on the September 1986 report to Congress by the Bureau of Indian Affairs entitled "Rehabilitation Needs of Fish Production Facilities Funded by the Bureau of Indian Affairs and/or Indian Tribes for the Benefit of American Indians". The Administration has not requested any money for hatchery rehabilitation for FY 1989.

The Committee recommends that adequate funding be continued for rehabilitation of fish production facilities funded by Indian tribes and the BIA. Consequently, the Committee recommendation includes an additional $1,500,000 for rehabilitation work at fish hatcheries throughout the United States. The Committee believes this additional funding is necessary to protect the Federal investment in these facilities, to sustain their useful life, and to prevent the need for premature investment in replacement facilities.

SUBACTIVITY: LAND ACQUISITION

For FY 1988 Congress appropriated $2,250,000 for the acquisition of land and interests in lands for Indian tribes. The Committee believes it is vitally important to continue efforts to assist Indian tribes in their efforts to consolidate land ownership on their reservations and to acquire land as a basis for economic development. Therefore, the Committee recommends that funding be provided for land acquisition at the same level as last year.

SUBACTIVITY: HOUSING

Subactivity: Housing

[In thousands of dollars; fiscal years]

Housing	1988 enacted to date	1989 baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Housing development	2,820	2,694	2,694	2,820	2,941	3,071	3,212	3,366
Housing improvement program	19,884	19,920	14,406	19,884	20,739	21,652	22,647	23,735
Housing training	123	123	123	123	128	134	140	147
Total	22,827	22,737	17,223	22,827	23,808	24,857	25,999	27,248

The primary responsibility for new home construction on Indian reservations lies with the Department of Housing and Community Development. The BIA's Housing Improvement Program (HIP) is limited to renovation, repair, and addition to existing homes. The Administration Request includes $17,223,000 for housing. The FY 1989 request represents a decrease of $5,604,000 from FY 1988 appropriations of $22,827,000.

The Committee does not agree with the Administration's request for Housing Improvement Program funds and recommends that this activity be funded in the same amount as in fiscal year 1988 -- $19,884,000. The Committee notes that in the fiscal year 1988 budget submission the BIA identified some 92,580 families as being in need of housing and that here are some 39,880 houses identified as suitable for renovation. BIA also states that 52,700 new homes are required. The primary housing program for

Indians is operated by the Department of HUD. Once again the Administration has indicated a desire to suspend the new housing program effort. New houses under this BIA program are built only in emergency circumstances. The Committee does not agree that the new housing effort should be suspended and intends that this effort be continued under the recommended level of funding.

ACTIVITY: ROAD CONSTRUCTION

ACTIVITY: Road Construction

[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 Baseline	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Road construction	1,000	1,000	0	1,000	1,043	1,088	1,139	1,194
....	1,000	1,000	0	1,000	1,043	1,088	1,139	1,194

The BIA road construction account is an important supplement to project funds provided from the Highway Trust Fund of the Federal Lands Highway Program. Consequently, the Committee recommends continued funding of the road construction program at FY 1988 levels.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Indian Health Service

The Indian Health Service (IHS) is charged with administering the principal Federal health program for American Indians and Alaska Natives. Since the 1980 census, there has been a 23 percent increase in the IHS patient population and a 26 percent increase in demand for IHS services. IHS serves approximately 1 million members of Federally-recognized tribes who live on or near reservations, or in traditional Indian country, such as Oklahoma and Alaska.

The legal authority for the provision of health care services to American Indian and Alaska Native people is based upon commitments established in treaties between the United States and various Indian tribes, and several laws enacted by the Congress in furtherance of the United States' trust responsibility for Indian people, their lands and resources. The three fundamental Federal laws that provide authority for the activities and responsibilities carried out by the Indian Health Service are the Snyder Act of 1921, 25 U.S.C. 13; the Indian Sanitation Facilities Act, Public Law 86-121; and the Indian Health Care Improvement Act, 25 U.S.C. 1601, et seq. The Indian Health Service uses both direct and contract health care services to fulfill its' responsibilities.

Direct health services are provided through the operation of 45 hospitals, 65 health centers, 6 school health centers, and 267 smaller health stations and satellite clinics. The tribal health delivery system administered by tribes and tribal groups through contracts with IHS operates 6 hospitals, 70 health centers, 1 school health center, and 262 smaller health stations and satellite clinics. Medical care purchased from approximately 2,500 private providers is for services not readily available from either the IHS direct care or tribally operated systems. In addition, various clinical and referral services are provided to Indians residing in urban areas through 33 urban Indian health projects.

President's Budget Request for Fiscal Year 1989

The President's Budget for Fiscal Year 1989 proposes a slight increase for the health care services operated directly by the Indian Health Service and for contract care. The average increase of 4.07 percent for the provision of clinical services will not however enable the Indian Health Service to keep pace with the 7.4 percent increase in the costs of providing medical care as projected by the Congressional Budget Office based upon the Consumer Price Index, or to respond to the additional demands of a service population that is growing by more than two percent a year.

A recent analysis conducted by the Department's Health Care Financing Administration indicates that per capita medical expenditures for Indians (excluding Alaska Natives and adjusting for inflation) dropped from $1,068 in 1980 to $797 in 1987, a reduction of nearly 25 percent, while similar expenditures for the U.S. general population increased over the same time period from $1575 in 1980 to $1649 in 1987. Thus, the difference in amounts expended per capita for Indians and the general U.S. population has almost doubled, from $507 in 1980 to $983 in 1987.

Further compounding the loss in purchasing power of appropriations that have failed to keep pace with the costs of inflation attributable to the provision of medical services, is a $15,946,000 shortfall in amounts available in fiscal year 1988 to meet fiscal year 1988 requirements, and a $12,462,000 shortfall in amounts requested in fiscal year 1989 to meet fiscal year 1989 requirements.

Committee Recommendations

Because the Committee has been advised that the Administration will not be seeking any supplemental funding for the Indian Health Service in fiscal year 1988, the Committee's recommended levels of funding include amounts necessary to meet funding requirements in fiscal year 1988 (including non-personnel salary inflationary increases, personnel salary related costs and other increases) as well as amounts necessary to meet funding requirements in fiscal year 1989, in order to assure that the fiscal year 1987 level of program and services efforts can be maintained. In addition, the Committee is recommending funding for activities such as those authorized in the Omnibus Drug Act of 1986 (Public Law 99-570), for the construction of IHS facilities, and for the provision of safe water supply and sanitation facilities that the President's Budget Request fails to address.

Major Initiatives

Relocation of IHS Headquarters

In fiscal year 1989, the Administration would propose that $2.5 million be drawn from amounts available for the provision of direct health care services to fund a study of and the costs associated with a proposed relocation of the Indian Health Service headquarters offices, now located with other Public Health Service agencies in Rockville, Maryland, to Albuquerque, New Mexico. The relocation of IHS headquarters has not been discussed with the tribes prior to the initiation of the proposal.

On January 4, 1988, the Indian Health Service was elevated to the level of an agency within the Public Health Service, thereby achieving an organizational status equivalent to the Centers for Disease Control; the Alcohol, Drug Abuse and Mental Health Administration; and the National Institutes of Health. Originally a legislative proposal, the primary objective of IHS elevation was to assure a coordination of policy, function, and research among Public Health Service agencies. The proposed relocation of the Indian Health Service headquarters to Albuquerque, New Mexico would appear to thwart the potential for achieving the very objectives that IHS elevation sought to secure.

It is the Committee's view that prior to any action to initiate relocation, the Department should first consult with the affected tribal governments as required by the Indian Reorganization Act of 1934, with tribal organizations, and with the relevant committees of the Congress. Further, prior to allocating funds to cover the costs of relocation, a study of relocation feasibility should examine which organizational elements of the headquarters operation are best suited for relocation. Such a study should also examine whether organization elements of the Indian Health Service now located in the field, might be more appropriately located in Rockville. For instance, one reason cited for relocation is IHS headquarters' inaccessibility to data that is presently collected in Albuquerque. The study proposed in the President's Budget should also examine the advisability of having data collection centered in a location where it is not only accessible to current IHS headquarters, but is also accessible to other Public Health Service agencies. A study will also need to identify barriers or impediments to the proposed relocation, and should provide a comprehensive analysis of all costs that can be expected to be associated with relocation. The President's Budget Request proposes that any balance of funds remaining upon completion of the study would be used to the fund the costs associated with relocation. Such a proposal fails to take account of the possibility that upon examining the findings of the proposed study, the Congress may determine that the costs associated with the relocation of IHS headquarters are not justified by the benefits that may projected to accrue with relocation. The Committee believes that relocation should not be allowed to proceed until the proposed study has been completed and its results have been disseminated and sufficient time is afforded for tribal and Congressional analysis of its results. The Committee is strongly opposed to the use of direct health care service funds to conduct the study, and would recommend that the Committees on Appropriations act to insure that there is no reduction in services or programs as a result of expending funds to conduct a feasibility study of relocation.

Federal and Tribal Health Administration Budget Presentations

The President's Budget Request for Fiscal Year 1989 would propose to display the Administration's proposed budget as divided into two major categories, showing those funds that are requested and appropriated for the provision of health care services by the Indian Health Service in a separate format from those funds that are requested and appropriated for the provision of health care services by tribal governments and tribal organizations through contract with the Indian Health Service as authorized by the Indian Self-Determination and Education Assistance Act. The justification for these separate budget presentations is to encourage tribes to meet the Administration's objective of having 75 percent of all IHS programs contracted under the authority of the Indian Self-Determination Act and thus under tribal administration within ten years. A seventeen percent factor is included in the tribal administration budget to cover the indirect costs associated with tribal operation of health service programs.

Health care providers have expressed concern over the administration of two separate health care systems, which they project will inevitably result from the division of funding activities amongst two budget categories. They assert that the coordination of Federally- and tribally-provided programs and services will be further undermined, and that the capacity to target resources in an emergency will be restricted, possibly requiring the reprogramming of funds from Federal or tribal program accounts. Because reprogramming requests require action by the Congress, health care administrators perceive that the reallocation of funds from one health care system to another that may be necessitated in an emergency may be rendered virtually impossible. There is also concern that the separation of Federal health administration and tribal health administration represents an attempt to obscure reductions in overall funding. The Committee does not view the separation of program accounts into Federal- and tribal-administered health care systems as advisable at this time.

Availability of Funds Until Expended

The President's Budget proposes changes to appropriations language, which if approved by the Congress, would allow funds to remain available until expended. Analyzing actions of the Department in past years, pursuant to which appropriated funds have been impounded or withheld for significant portions of the fiscal year without Congressional approval, program administrators are concerned that this proposal will allow the Department to withhold funds from programs which the Administration has in the past exhibited a reluctance to support, to reprogram funds from one account to another without Congressional approval, and to reduce appropriations requests in future years on the basis of unexpended balances in certain accounts. The Committee recommends that the request for authority to have funds remain available until expended be denied.

Merging of IHS Facilities and Services Accounts

As in previous years, the President's Budget proposes to merge the IHS Facilities Construction account with the Health Care Services account. The Congress has consistently refused to grant the Department such authority, primarily because the merging of the two accounts is viewed as an effort to obscure the fact that there have been no funds requested over the past seven years for the construction of IHS facilities, with the exception of a minimal amount to provide for the maintenance and repair of IHS facilities. Merging the accounts, coupled with the request to have funds remain available until expended, would allow the Department to expend funds appropriated for construction for other purposes, thereby reducing accountability for appropriated funds. The Committee recommends that the request for authority to merge accounts be denied.

Medicare and Medicaid Collections

The President's Budget Request for Fiscal Year 1989 projects a $4 million increase in Medicare and Medicaid reimbursements that are proposed to fund mandatory program increases in the Hospital and Clinic budget activity ($2.88 million) and the Contract Care budget activity ($1.1 million). Provisions of

Public Law 94-437, as extended by Appropriations Acts, specifically prohibit the use of such reimbursements as offsets against amounts that would otherwise need to be appropriated. The Committee believes that authority to apply reimbursements to cover the costs of mandatory program increases should be denied.

CLINICAL SERVICES

Clinical Services

[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Hospital and health clinic	537,000	556,423	571,909	614,230	658,454	706,521	758,097
Dental services	28,974	30,318	30,767	33,043	35,442	38,027	40,803
Mental health	12,466	13,091	13,357	14,345	15,377	16,499	17,703
Alcoholism	29,335	30,969	57,075	61,298	65,711	70,307	75,654
Maintenance and repair	11,359	11,756	12,289	13,198	14,148	15,180	16,288
Contract care	198,481	208,335	212,415	228,133	244,558	262,144	281,565
Total	817,615	850,892	897,812	964,247	1,033,690	1,108,678	1,190,110

Hospital and Health Clinic Program

The President's Budget Request of $556,423,000 for Fiscal Year 1989 for the Hospital and Health Clinic Program includes a proposal to apply $2,881,000 of reimbursements from the Medicaid and Medicare programs to offset program costs, which the Committee recommends be denied. Further, the President's Request is expected to fall $5,091,000 short of meeting fiscal year 1989 requirements (includes non-personnel associated inflationary increases, personnel salary-related costs, and other increases) for the operation of IHS hospitals and clinics, which when added to a $10,395,000 shortfall in fiscal year 1988 to meet fiscal year 1988 requirements, will result in a reduction of three percent from the fiscal year 1987 level of effort. To assure the maintenance of the fiscal year 1987 level of services, the Committee recommends an appropriation of $571,909,000 for the IHS Hospital and Health Clinic Program. Of the total amount, the Committee strongly urges the Appropriations Committees to allocate $10 million to the Indian Health Care Improvement Fund in fiscal year 1989, so that the Indian Health Service can begin to address the legislative mandate of raising the health status of Indian people to the highest possible level.

Dental Services

While the IHS Budget Justification states that the Fiscal Year 1989 request of $30,318,000 will provide approximately the same level of dental services and persons treated as in fiscal year 1988, the Committee believes that without an additional $449,000, services cannot be maintained at previous levels. The Committee thus recommends a funding level of $30,767,000 for Dental Services in fiscal year 1989 in order to maintain the fiscal year 1987 level of effort.

Mental Health

The IHS Budget Justification indicates that over one third of the demands on IHS facilities for services are associated with mental health problems. Although some of services provided to address mental health problems are funded through the Hospital and Health Clinic budget activity, the Committee remains concerned with the lack of budgetary and program emphasis on mental health, given the high rates of suicide, alcoholism, and substance abuse on many Indian reservations. The Committee recommends an increase of $266,000 over the President's requested amount of $13,091,000, for a total of $13,357,000 to maintain mental health services at the fiscal year 1987 level.

Alcoholism

In addition to funds requested for the Alcoholism program in the President's Budget Request for Fiscal Year 1989, the Committee recommends additional funding in the amount of $416,000 to maintain the fiscal year 1987 level of effort, for a total amount of $31,375,000. Further, to provide for the activities authorized in the Omnibus Drug Act of 1986 (Public Law 99-570), the Committee recommends funding in the amount of $11 million for the establishment of regional youth substance abuse treatment centers as authorized in the Omnibus Drug Act of 1986; $2.5 million for the renovation or construction of regional treatment facilities; $10 million for community rehabilitation and aftercare services; $1.5 million for training; $500,000 for health promotion and disease prevention efforts; and $200,000 for the Navajo Demonstration Program. Appropriations for all of the foregoing activities were authorized in Public Law 99-570, but the President's Budget Request for Fiscal Year 1989 neglects to request funds for the authorized purposes.

Maintenance and Repair

With a backlog of essential maintenance and repair projects of $92,035,391 (as of December 31, 1987), and a backlog of necessary alterations of $39,108,239 (as of December 31, 1987), the Committee finds that the President's Budget Request for Fiscal Year 1989 for Maintenance and Repair activities will fail to maintain the 1987 level of program effort. The Committee recommends funding in the amount of $533,000 in addition to the amount requested in the President's Budget, for a total of $12,289,000 to be funded from direct appropriations and $3,000,000 funded from Medicare and Medicaid reimbursements.

Contract Health Care

The President's Budget Request for Contract Health Care includes a request to fund $1,119,000 from Medicare and Medicaid reimbursements. Because such reimbursements are not allowable offsets under the provisions of Public Law 94-437, the Committee recommends that the request to offset appropriations needs with reimbursements be denied. In order to maintain fiscal year 1987 level of services in the contract care budget activity, the Committee recommends an increase of $4,080,000 over the President's Budget Request of $208,335,000, for a total of $212,415,000.

PREVENTIVE HEALTH

Preventive Health

[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Sanitation	23,907	24,626	25,186	27,049	28,986	31,115	33,383
Public health nursing	14,113	14,467	14,710	15,788	16,835	18,171	19,097
Health education	4,413	4,651	4,754	5,106	5,472	5,871	6,290
Community health representative	27,282	27,282	29,304	31,472	33,738	35,880	38,042
Hepatitis B	395	417	447	489	514	551	591
Total	70,110	71,443	74,401	79,904	85,686	91,588	98,612

Sanitation

The Committee recommends an increase of $560,000 over the amount requested in the President's Budget for the Sanitation budget activity ($24,626,000) for a total of $25,186,000, in order to maintain the fiscal year 1987 level of services.

Public Health Nursing

The President's Budget Request for the Public Health Nursing budget activity will fall approximately $243,000 short of maintaining the fiscal year 1987 level of program effort. The Committee recommends funding in the amount of $14,710,000 for Public Health Nursing for Fiscal Year 1989.

Health Education

Recognizing that many health problems that afflict the Indian population are preventable, the IHS goal for the Health Education Program is to assist the Indian people to adopt health-promoting lifestyles; to wisely select and use health care resources, products and services; and to influence the policy and planning on health care issues and larger environmental matters that affect health. The ultimate objective of health education is to use its educational and behavior change skills to motivate Indian beneficiaries to assume the major responsibility for taking action to bring about the best possible health.

The Committee recommends an increase of $103,000 over the amount requested in the President's Budget ($4,651,000) for a total of $4,754,000, in order to maintain the fiscal year 1987 level of program effort.

Community Health Representative Program

The goal of the Community Health Representative (CHR) Program is to address health care needs through the provision of community-oriented primary care services, including traditional native concepts in multiple settings, using community-based, well-trained, medically-guided Indian and Alaska Native health workers.

The Committee commends the Department for recognizing the importance of the Community Health Representative program. The Committee's recommended level of funding in the amount of $29,304,000, represents an increase of $2,022,000 over the President's Budget Request ($27,282,000) to maintain the fiscal year 1987 level of services.

Alaska Hepatitis B Immunization & Screening Program

In response to an epidemic of Hepatitis B among native people of Alaska, the Hepatitis B Screening and Immunization Program began in 1982 and involved the Indian Health Service, the State of Alaska, and the HHS Centers for Disease Control. The program's initial goals were to identify those persons most at risk for Hepatitis B infection and to begin control of the further spread of the Hepatitis B virus in the population. Early findings indicated that the native people of Alaska were more susceptible to infection from the virus that non-native people. Findings also indicate that newborns, because of an immature immune system, are at high risk of becoming chronic carriers if they are infected with Hepatitis B virus. Chronic carriers are 230 times more likely to develop primary liver cancer than the normal population. Semiannual blood tests of Alpha Feto Protein are to be conducted on all chronic carriers to detect this primary liver cancer at an early, potentially curable state. The Seattle Indian Health Board, an urban Indian health care program located in Seattle, Washington, that is partially funded by IHS, has also participated in the screening and immunization activities, in an effort to check the spread of the Hepatitis B virus among Alaska Natives that travel back and forth from Alaska to Seattle. The objectives of the ongoing Hepatitis B program is to vaccinate all newborns and new employees, and to continue to follow approximately 1,700 known Hepatitis B chronic carriers with semiannual Hepatitis B and Alpha Feto Protein testing.

The Committee recommends an increase of $26,000 over the amount requested in the President's Budget ($417,000) to insure that the Hepatitis B Screening and Immunization Program can be maintained at the fiscal year 1987 level of effort, for a total recommended funding level of $447,000.

OTHER HEALTH PROGRAMS

URBAN HEALTH

OTHER HEALTH

[In thousands of dollars; fiscal years]

	1988 enacted to date	1988 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Urban health	9,634	8,662	10,335	11,090	11,888	12,765	13,697
Indian health manpower	7,646	7,646	9,224	9,906	10,699	11,480	12,318
Tribal management	3,094	3,218	3,324	3,568	3,826	4,106	4,404
Direct operations	41,382	42,471	43,318	46,523	49,872	53,512	57,418
Total	61,756	61,997	66,201	71,087	76,286	81,863	87,837

The Indian Health Service partially funds 33 urban Indian health organizations located in various cities through the United States to provide health services to the medically underserved urban Indian population. High concentrations of Indian people in certain urban areas is the result in part, of Federal policy that established Federal relocation centers for Indian people at a time when the Federal Government was encouraging the termination of Indian reservations and the assimilation of Indian people into the non-Indian society. Urban Indian health programs provide outreach and referral services as well as the delivery of direct comprehensive ambulatory health care. Services currently being provided include medical, dental, community services, and a variety of other health related services, such as family planning, mental health, nutrition and health education, social services, alcohol and drug abuse, and home health care.

The Committee recommends an increase of $1,693,000 over the amount requested in the President's Budget ($8,662,000) for a total amount of $10,335,000, to maintain the fiscal year 1987 level of effort. The Committee finds no evidence that projections of anticipated collections in the amount of $1,497,000 are realistic, given the fact that urban programs are now maximizing third-party resources to the extent that approximately seven non-IHS dollars are collected for each IHS dollar invested. IHS funds represent the core funding for the urban health care programs, so that the reduction of base funding for these programs can be expected to reduce the non-IHS matching dollars currently being collected by these programs. Unlike many of the programs operated directly by the Service, urban Indian health care programs have not received any increases to offset the costs of inflation over the past several years.

INDIAN HEALTH MANPOWER

With the elimination of the National Health Service Corps scholarship program, the source of physician supply on which the

Indian Health Service relies for over half of its' physician corps, will be terminated. The Indian Health Manpower program consists of a health professions recruitment program for Indians which has provided grants to four university Master of Public Health Programs (University of California, University of Oklahoma, University of North Carolina, and University of Hawaii) and to the Indians into Medicine Program at the University of North Dakota; a health professions scholarship program which provides financial aid to qualified Indian individuals in health professions institutions who, upon graduation, will provide their professional services to Indian people, and an extern program that provides for work-service in the Indian Health Service during non-academic periods for students receiving health professions scholarship assistance. The IHS health professions scholarship program and the loan repayment program that was authorized by the Congress last year comprise the primary source of health care professionals for the Indian Health Service, who by virtue of receiving scholarship or loan repayment assistance, are obligated to serve in the Indian Health Service.In addition to these programs, there is a need for the Indian Health Service to expand its recruitment and retention efforts.

The Committee's recommended level of funding for the Indian Health Manpower program includes an additional $1,578,000 for the scholarship and recruitment programs over the amounts requested in the President's Budget ($7,646,000) for a total amount of $9,224,000 to maintain the fiscal year 1987 level of program effort.

TRIBAL MANAGEMENT

The Committee recommends a funding level that will allow the Indian Health Service to continue to provide capacity-building assistance to tribal governments at the fiscal year 1987 of program effort, with an increase of $106,000 over amounts requested in the President's Budget ($3,218,000) for a total of $3,324,000.

DIRECT OPERATIONS

The direct operations program funds the administration and management of the Indian Health Service. The Committee recommends an increase of $847,000 over the amounts requested in the President's Budget ($42,471,000) for a total of $43,318,000, to maintain the fiscal year 1987 level of program effort.

INDIAN HEALTH FACILITIES

Indian health facilities

[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 Administration request	1989 SCIA recommendation	1990	1991	1992	1993
Indian health facilities	62,511	2,450	62,235	60,000	60,000	60,000	60,000
Total	62,511	2,450	62,235	60,000	60,000	60,000	60,000

As in past years, the President's Budget proposes to merge the Indian Health Facilities account with the Indian Health Service account. The Congress has consistently rejected previous proposals to merge the two accounts, based on the loss of accountability that is projected to result from such merging, and the Administration's continued refusal to expend appropriated funds for the construction and repair of IHS facilities. For fiscal year 1989, the President's budget request proposes to fund the Indian Health Facilities account at $2,450,000, and proposes no funding for the construction of water and sanitation facilities for Indian homes.

The members of the Select Committee on Indian Affairs urge the Committee on the Budget and the Committee on Appropriations to reject the proposed merger of the Indian Health Facilities account with the Indian Health Service account. The Committee's recommended funding level for Indian health facilities includes $17,000,000 for the provision of water and sanitation systems for Indian homes and communities, and $42,785,000 for the construction of IHS hospitals and clinics, as outlined below, for a total of $62,235,000.

INDIAN HEALTH FACILITIES
(Dollars in Thousands)

	Prior Approp.	FY 88 Approp.	SCIA Recommen.*
Hospitals			
Anchorage, Alaska	$ 6,500	$ 5,000	$ 2,500
Kotzebue, Alaska	1,958	-0-	20,790
Winnebago, Nebraska	-0-	-0-	50
Phoenix Indian Med. Center, Arizona	-0-	-0-	150
Outpatient Facilities			
Wagner, South Dakota	459	-0-	4,227
Ft. Belknap, Montana	807	-0-	298
Ft. Hall, Idaho	436	100	5,474
Taos, New Mexico	-0-	-0-	264
Tohatchi, New Mexico	-0-	-0-	581
Ft. Yuma, Arizona	-0-	-0-	667
Pinon, Arizona	-0-	-0-	50
White Earth, Minnesota	-0-	-0-	982
Montezuma Creek, Utah	-0-	-0-	50
Stilwell, Oklahoma	-0-	-0-	402
Personnel Quarters			
Barrow, Alaska	-0-	750	6,300
Subtotal	$ 10,160	$ 5,850	$ 42,785
Sanitation Facilities			17,000
Modernization & Repair		--	2,450
TOTAL	$ 10,160	$ 5,850	$ 62,235

* All Committee recommendations are premised upon the IHS facilities construction priority list, and recommendations represent only those amounts that the Service estimates can be fully obligated in fiscal year 1989.

ADMINISTRATION FOR NATIVE AMERICANS (ANA)

The fiscal year 1988 appropriated level for the ANA program is $30,000,000, and the Administration has proposed the same level of funding, $30,000,000, for fiscal year 1989.

The Native American Programs Act, which was passed in the 93rd Congress, established the Administration for Native Americans (ANA) within the Department of Health, Education, and Welfare. The ANA is now constituted in the Department of Health and Human Services. Its legislative mandate is to promote economic and social self-sufficiency for American Indians, Alaska Natives, Native Hawaiians, and Native American Pacific Islanders, including Native American Samoans.

The ANA programs authorize training and technical assistance for the purpose of assisting eligible entities in developing and administering projects; and research, demonstration and evaluation is authorized to assist in the development of new approaches that will enhance the social and economic development of Native American communities.

While the level of funding for the ANA program has remained relatively constant over the past several years, inflation has reduced the real value almost in half. Currently, the ANA program is only able to fund about 35 to 40 percent of the applications it receives. The Committee, therefore, recommends that the level of funding for fiscal year 1989 be budgeted at $33 million to be distributed as follows: $30 million for Financial Assistance Grants; $1 million for Training and Technical Assistance; $1 million for Research, Demonstration, and Evaluation; and $1 million for the Revolving Loan Fund for Native Hawaiians.

DEPARTMENT OF EDUCATION

TABLE 3.-- DEPARTMENT OF EDUCATION, TITLE IV, INDIAN EDUCATION ACT

[In thousands of dollars; fiscal years]

	1988 enacted to date	1989 Administra- request	1989 SCIA recommen- dation	1990	1991	1992	1993
Title IV Program-Indian Education	--		--				
Part A							
Formula grants	45,670	46,348	50,310	52,423	54,625	56,919	59,310
Discretionary grants	3,500	3,500	3,500	3,647	3,800	3,960	4,126
Part B (special programs)	11,707	11,807	12,199	12,711	13,245	13,802	14,381
Part C (adult education)	3,000	3,500	3,500	3,647	3,800	3,960	4,126
Part D (administration)	2,449	2,498	2,498	2,603	2,712	2,826	2,945
Total	66,326	67,653	72,007	75,031	78,182	81,467	84,888

The Indian Education Act (Public Law 92-318), enacted in 1972, was designed to improve educational opportunities for disadvantaged Indian children, college students, and adults. Part A of the Act provides basic grants to both public schools and reservation-based Indian controlled schools, most of which are schools that operate under contract with the BIA. During the its' consideration of the Indian Education Amendments of 1988, incorporated into H.R. 5, the Committee became aware of an anomaly in existing law that the so-called "contract schools" are eligible to participate in the formula program under Part A of

Title IV and also have a substantial set aside (up to 10 percent) from that same program for competitive grants for demonstration and other projects. However, schools operated directly by the BIA are not now eligible for funding, even though their students service populations are the same. In fact, most contract schools were formerly BIA operated schools and when BIA schools are converted to contract, the school is automatically eligible for Title IV formula grants even though the identical students are being served.

To correct this situation, the Senate version of H.R. 5 contained a provision to include these students in the formula program of Part A. Because there is no public policy reason why Indian children should be treated differently under this program, (the only Department of Education program operated specifically for Indian children), the House agreed to this provision in conference with the stipulation that existing programs be held harmless. There are 26,700 students in BIA instructional programs that will now be eligible for Title IV assistance, in addition to the 321,600 students now served in Title IV. Therefore, an increase in funding of about 8 percent is needed to provide service to the students in BIA schools and to keep other programs at fiscal year 1988 levels. A 2 percent inflation factor for existing program was also agreed to in the hold harmless language. Therefore, the Committee recommends the 1988 funding level for Part A with a 2 percent increase for inflation and an 8 percent increase for the newly eligible students. The total needed will be $50,310,000 which is $4.6 million over the 1988 appropriation level and $3.9 million above the budget request for 1989.

In 1988, the Part A formula program is providing services to 321,600 Indian students in both public and contract schools. Under the discretionary set aside, 28 grants were made to 24 Indian schools of which 17 also received formula funding.

Part B of Title IV funds competitive grants to improve the quality of education programs for Indians. The Committee recommends $12,199,000 for this program in fiscal year 1989. This is based on the 1988 appropriated level plus a 4.2 percent CBO inflation factor.

Part C of Title IV funds programs to enable Indians to finish high school and to receive employment training and other adult education services. The Committee agrees with the Administration's request for an additional $500,000 for this program in fiscal year 1989 above the $3 million appropriation in fiscal year 1988.

For all part of the Title IV program, the Committee is recommending an increase of $2,354,000 above the President's request. This is a modest amount and the Committee notes with approval the small but important increases proposed by the Administration in this important program.

Between 1970 and 1980, the percentage of Indian adults of age 25 and older who were high school graduates increased from 33.3 percent to 55.8 percent; the median years of school completed by this group increased from 9.8 years to 12.2 years. These are impressive statistics but Indians still lag behind other groups in years of school completed, high school retention rates, median family incomes, and percentage of families above the poverty level.

In fiscal year 1980, Title IV was funded at $75,900,000. Funding for the program reached a high of $81,680,000 in fiscal year 1981 and has gradually been cut to its current level of $66,326,000 in fiscal year 1988. The Committee therefore strongly urges adoption of its recommendations amounts for the Title IV programs as a minimum amount to prevent further slippage in the program levels.

Native Hawaiian Education Act

Congress is in the final stages of passing H.R. 5, the Elementary and Secondary Education Act reauthorization bill. The bill has been through conference, and enactment into law is expected in May, 1988.

Included as Title X of this bill is the Native Hawaiian Education Act. The programs under this title are new, and have not been funded before. They are supplemental education programs to benefit Native Hawaiians and are the result of eight years of studies and efforts to design programs that would be appropriate for Native Hawaiian educational needs. In view of the pressing needs in the Hawaiian community for these programs, the Committee recommends funding for this program as follows:

FY 89

Model curriculum project	$3,200,000
Family based education centers	$2,500,000
Higher education	$2,100,000
Gifted and Talented	$1,100,000
Special education	$1,600,000
TOTAL	$10,500,000

FY 90

Model curriculum project	$3,300,000
Family based education centers	$2,700,000
Higher education	$2,200,000
Gifted and talented	$1,100,000
Special education	$1,700,000
TOTAL	$11,000,000

FY 91

Model curriculum project	$3,500,000
Family based education centers	$2,800,000
Higher education	$2,400,000
Gifted and talented	$1,200,000
Special education	$1,800,000
TOTAL	$11,700,000

FY 92

Model curriculum project	$3,700,000
Family based education centers	$3,000,000
Higher education	$2,500,000
Gifted and talented	$1,200,000
Special education	$1,900,000
TOTAL	$12,300,000

FY 93

Model curriculum project	$3,900,000
Family based education centers	$3,100,000
Higher education	$2,600,000
Gifted and talented	$1,300,000
Special education	$2,000,000
TOTAL	$12,900,000

DEPARTMENT OF LABOR

Job Training Partnership Act

JTPA and the Summer Youth programs are designed to address the overwhelming unemployment problems within Native American communities. JTPA offers primarily vocational training work experience, including skill training, remedial education, on-the-job training, work experience and job search assistance to approximately 34,000 unemployed, underemployed and economically disadvantaged Indians, Native Alaskans and Native Hawaiians.

Native American JTPA funding		% of total JTPA
FY 87 BA	$61.5 million	1.6%
FY 87 outlays	58.7 million	1.6%
FY 87 BA	59.7 million	1.6%
FY 88 outlays	60.9 million	1.6%
Proposed FY 89 BA	59.7 million	1.6%
Proposed FY 89 outlays	60.9 million	1.6%

In addition to this funding, the FY 89 budget requests an amount for Summer Youth programs that would support a set-aside for Indian tribes, Alaskan natives and Native Hawaiians amounting to $13,058,321, or 1.8% of the total Summer Youth funds recommended.

The amount requested in the budget for these programs is the lowest level, in current dollars, of any year since this program began under the Comprehensive Employment and Training Act in 1975, except for 1986 when the level was affected by the Gramm-Rudman automatic cuts. In constant dollar terms, the total employment and training resources available to tribes and other Indian and Native American organizations have been cut by more than 38% since 1983 and by more than 72% since 1981.

In addition to the reduction in services caused by the funding cuts, Indian grantees have been restricted in what they can do with the resources available because of Labor Department program monitoring practices and because of the system now used to set standards of performance for grantees. Grantees have indicated that they cannot provide the intensive support that many Indian and Native American workers need because of the Department emphasis on low cost, "quick fix" services. The Committee recommends that the Department of Labor and its Indian grantees conduct a joint study on the impact of the current system used to set standards of performance for grantees and its effects on the quality of services to Indian people as provided in the Job Training Partnership Act.

The Committee reiterates its concern that special attention be given to the pressing problems of unemployment for Native Americans and recommends that Native American JTPA funding be increased to $63,000,000. The Committee further recommends that $15,000,000 be set aside in the Summer Youth funds for Native Americans.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

INDIAN HOUSING PROGRAM

Federally assisted housing on Indian reservations and trust land area (Alaska and Oklahoma) is provided primarily by the HUD Indian housing program. Since the 1960's, HUD has provided assistance in the development and management of housing for Indian and Alaskan Natives pursuant to the United States Housing Act of 1937 as amended. According to the Bureau of Indian Affairs' housing inventory for fiscal year 1987, approximately 92,970 Indian families are in need of substantial housing assistance; 39,880 families need rehabilitation assistance and 53,090 families need new homes.

In the past few years the Administration has zeroed out new construction for Indian housing units. The Administration has requested 1,000 new units for fiscal year 1989. While the request is greater than zero, it is still not adequate to meet the documented need. The Committee recommends $215.7 million for 3,000 new units of Indian housing.

The Committee opposes the Administration's proposal to rescind the reuse authority that Congress granted last year to the HUD Indian housing program. Reuse authority permits HUD to transfer budget authority between Indian Housing Authorities for housing units that have stagnated in the construction pipeline. In the past, HUD simply returned the recaptured budget authority to the Treasury. Given the critical need for housing within Indian country, it makes no sense to return budget authority to the Treasury.

Hawaiian Home Lands

In 1921, the Hawaiian Homes Commission Act was signed into law. The major provisions of the Act included setting aside approximately 187,000 acres of specific public lands on the islands of Hawaii, Maui, Molokai, Oahu, and Kauai for leasing to native Hawaiians. The goal of the program was to put Hawaiians back on the land, from which they were becoming rapidly alienated, and the signing of this Act constituted the undertaking of a trust obligation by the United States to benefit an aboriginal people.

The Act was implemented and administered by the Territorial government through the Hawaiian Homes Commission. After statehood occurred in 1959, the Department of Hawaiian Home Lands was established and title to Hawaiian home lands was transferred to the State of Hawaii.

The Act provides direct benefits to beneficiaries in the form of 99-year homestead leases. The lease awards are for residential, agriculture, aquacultural, or pastoral uses. When the Act was passed by Congress, a Committee Report stated that accessible water in adequate amounts must be provided for all DHHL tracts.

Since enactment, 32,713 acres of Hawaiian Home lands have been awarded as homestead lots for residential, agricultural or pastoral uses as of June 30, 1987. Funds to implement the program were not made available when the act was administered by the United States during the Territorial period, and the State was reluctant to expend general funds after the program was transferred. In 1974, the State changed its position, and over the next ten years awarded half as much land as had been awarded over the previous 53 years. Since 1974, the State has spent more than $70 million upgrading drainage systems and roads.

In 1983 the "Federal-State Task Force on the Hawaiian Homes Commission Act" completed a full assessment of the program. The Task Force recommended as a priority goal the acceleration of distribution of Hawaiian home lands to the 8,000 applicants on the waiting lists. The Task Force estimated that $250 million would be needed to provide basic site developments, and recommended that the State of Hawaii and the United States each make matching contributions to meet these needed services.

Since then, from 1984 through 1986, the Department of Hawaiian Home Lands has accelerated the awarding of homestead lots to native Hawaiian beneficiaries. While more than 2,500 lots were awarded, over 2,000 of the lots did not have necessary roads, water, electricity, and drainage improvements to allow their use by homesteaders. In the meantime, the waiting list has expanded to 17,000 applicants. DHHL presently has $22.7 million appropriated from the State for infrastructure development and requested $9.8 million for the State's fiscal year 1989 budget.

Among its findings the Task Force concluded that the United States continues to serve as a trustee of the Hawaiian Home lands. Specifically, the United States must approve certain modifications of the Hawaiian Homes Commission Act; the U.S. Secretary of the Interior must approve land exchanges involving Hawaiian Homes lands; and the United States may bring suit if the trust for certain lands is breached by the State.

Pursuant to the trust responsibility established by the HHCA, the Committee recommends that $3,000,000 for fiscal year 1989 be appropriated under the Community Development Block Grant Program and earmarked for the Hawaii State Department of Hawaiian Home Lands for the purpose of infrastructure development of Hawaiian Home lands.

DEPARTMENT OF ENERGY

Conservation of Renewable Energy Conservation: State and Local Assistance Program (SLAP)

The goal of the State and Local Assistance Program is to encourage energy conservation initiatives on the state and local level through a mix of activities and programs, including direct financial assistance, personalized information services, technical assistance and developmental demonstration projects to enhance state and private sector involvement in energy conservation. The office of State and Local Assistance Programs administers the following programs in support of its goal: the Weatherization Assistance Program; the Schools and Hospitals Grants Program, also known as the Institutional Conservation Program; the Energy Policy and Conservation Act (EPCA) Grants, also known as the State Energy Conservation Program (SECP); the Energy Extension Service; and Technology Assessment and Transfer.

The first two programs were established to provide assistance to sectors of the economy which experience particular difficulty in dealing with rising energy costs. The Weatherization Assistance Program increases the energy efficiency of residences occupied by low-income citizens across the country, particularly the homes of the elderly and the handicapped.

These programs have accomplished a great deal. Over 1.8 million low-income homes have been weatherized. Over 21,000 grants have been awarded to schools and hospitals, funding energy conservation projects in some 59,000 institutional buildings.

Appropriated and Petroleum Overcharge Distribution and Restitution Act funds provided for grant activities in FY 1988 are $212,095,000. These funds will provide for the weatherization of 125,000 homes and grants to 909 schools and hospitals as well as for program management of prior year Federal grants and oversight and monitoring of Exxon and Stripper Well oil overcharge funds distributed to the states.

In FY 1989 no funding is requested for grant activities. States have received more than $2.9 billion from the resolution of petroleum overcharge cases which they can use to fund these activities. Federal funds requested for program direction will provide for program management for prior year federal grants and oversight of Exxon and Stripper Well oil overcharge funds distributed to the states.

Council of Energy Resource Tribes

The Council of Energy Resource Tribes (CERT) is a non-profit organization of 37 member tribes who have energy resources. The organization provides technical assistance at the request of its members which will help the Tribes develop energy resources. The Federal funding base for the Council of Energy Resource Tribes has come from three sources which are coordinated in a tri-agency agreement: The Department of Energy, the Bureau of Indian Affairs, and the Administration of Native Americans (ANA). Funds provided from the Department of Energy and the Bureau of Indian Affairs have been through Congressional appropriations earmarked for CERT. ANA funds have been secured through competitive grant applications.

The Administration has requested that the FY 1988 Congressional add-on of $250,000 for the Council of Energy Resource Tribes not be continued in FY 1989. The Committee recommends that funding continue to be made available directly to CERT.

Nuclear Waste Fund

Pursuant to the Nuclear Waste Policy Act of 1982 (NWPA), the Department of Energy is required to develop a waste management system for the disposal of spent fuel and high-level radioactive waste from commercial and defense activities in a permanent geologic repository. The NWPA Amendments Act of 1987 provide a major redirection in the nuclear waste program and the FY 1989 budget request of $448.8 million fully supports these activities. The Nuclear Waste Fund program includes activities in the following major areas: geologic repositories, monitored retrievable storage, transportation and systems integration, and program management and technical support.

Yucca Mountain, Nevada, was designated by Congress for detailed characterization to evaluate site suitability for the first geologic repository. No funds are being requested for the second repository program which was terminated with the passage of the NWPA Amendments Act of 1987. The closeout of these activities, as well as some first repository activities, will be completed during FY 1988. FY 1989 funding will continue program and regulatory compliance and financial assistance activities. Following submission of the MRS Review Commission Report in June 1989, a survey and evaluation of potential Monitored Retrievable Storage sites is also and preparation for definitive design and licensing will begin.

ENVIRONMENTAL PROTECTION AGENCY

The Administration's 1989 Budget for the Environment Protection Agency (EPA) recommends a slight increases in all program areas with the exception of the Construction Grants program.

Interdisciplinary Program

The Environmental Protection Agency's Interdisciplinary Program is required to maintain liaison with other Federal Agencies and continue to implement EPA Programs on Indian Reservations: The budget request includes $12.7 million for these activities. This represents an increase of $400 thousand from FY 1988. The Indian program develops and implements policies for dealing with Indian tribes on environmental problems.

SPECIAL FEATURE

Introduction

The attached tables summarize relevant trends for selected parts of the Federal budget. Table 1 presents budget levels, average annual change in dollars and in percents, and the consistency of the trend for 1975 through 1989. Annual change and trend consistency were determined by a time-series correlation; technically, the annual change is the "coefficient of determination," or r2. Table 2 presents similar data for 1982 through 1989, to show trends in funding under the current Administration. Tables 3 and 4 correspond to tables 1 and 2, but they include budgets in real 1982 dollars instead of actual outlays, to remove the increases due to inflation.

A thorough analysis of all the budget elements selected is beyond the scope of this Budget Report. However, it is the Committee's intent to briefly explain and comparatively present major budget trends affecting the nation's Indian population and the U.S. population. These comparisons will focus upon three subject areas (Education, Health, and Housing & Economic Development), and will highlight other generalized data specific to the overall budget.

Methodology

The financial and demographic data which were collected to prepare this statistical analysis are derived from a number of sources.

The primary source of information is The Budget of the United States Government, FY 1989, the accompanying appendix, and historical tables, as prepared by the Office of Management and Budget. The data collected from this source include: FY 1989 Budget Estimates; Historical Outlays by Superfunction and Function; Outlays by Function and Subfunction; and Outlays by Agency. It must be noted that annual figures are examined throughout this analysis from 1968 to 1989.

Information regarding key economic indicators was gathered from the Economic Report of the President, February 1988, and the Statistical Abstract of the United States, 1986, as prepared by the U.S. Department of Commerce, Bureau of Census. This information includes the following: Consumer Price Index by Major Groups (All items), Implicit Price Deflators for the Gross National Product, and U.S. Population figures.

Per Capita Expenditures for the U.S. Population are based upon the percentage calculations of the Overall Budget (excluding Defense and Net Interest) divided by the U.S. Population. Budgetary figures contained in the President's Budget in historical tables and population figures were selected from the statistical abstracts.

The Indian Per Capita Expenditures are comprised of the Overall Indian Budget divided by the Indian population. It is especially important to note that the "Overall Indian Budget" is a generalized total of only the BIA, IHS, Department of Education-Indian Education line item, Department of Housing and Urban Development-Indian Housing line item, and the Administration for Native Amerians budgets. These particular agencies were selected since each represents a major activity in

Indian Country. Data regarding the Indian population is specifically collected from the Indian Health Service and based upon the service population. This population figure was selected since it is updated on an annual basis. For purposes of further study, a more accurate population count should be derived from tribal enrollment figures to closely reflect tribal needs and services.

Other budgetary data was collected respectively from each of the following agencies: BIA, IHS, Department of Education, Department of Housing and Urban Development, U.S. Fish and Wildlife Service (USFWS), U.S. Forest Service (USFS), Bureau of Land Management (BLM), and the Minerals Management Service (MMS). This data included specific appropriations for each year from 1968 to 1989. The Department of Housing and Urban Development, USFWS, USFS, and BLM were not able to provide all of the data necessary because it has either been archived or the agency was not in existence in the earlier years.

All of the data was stored in a Lotus program, statistically analyzed and graphically presented to Committee staff and to the Congressional Research Service staff for editorial review, analysis and redevelopment. A time-series correlation was used to determine annual change and trend consistency.

TABLE 1. Trends in Selected Elements of the Federal Budget
Actual Outlays, 1975-1989 Trends
(budget data in millions of dollars)

	Average Level	Annual Change	Percent Change	r^2
EDUCATION:				
U.S. Education	$ 14,423.2	$ 902.37	6.26%	.88
Education Function	28,026.7	993.42	3.54%	.60
Indian Education	65.9	.84	1.27%	.15
BIA Educ. Subtotal	259.7	1.64	.63%	.17
HEALTH:				
U.S. Health	$ 101,940.5	$ 9,718.72	9.53%	.99
Health Function	28,214.5	2,338.39	8.29%	.98
Indian Health Serv.	709.2	48.63	6.86%	.91
HOUSING & DEVELOP.:				
U.S. Housing	$ 14,067.7	$ 1,104.51	7.85%	.64
Econ. Dev. Function	7,778.0	- 109.55	- 1.41%	.04
Indian Housing*	444.3	- 60.34	-13.58%	.82
ANA	31.3	- .55	- 1.74%	.49
BIA Economic Devel.	60.1	- 1.60	- 2.67%	.21
NATURAL RESOURCES:				
U.S. Interior	$ 4,225.3	$ 189.48	4.48%	.80
Fish & Wildlife Ser.	320.5	18.80	5.87%	.81
Bureau of Land Mgmt.	765.8	14.82	1.93%	.07
Forest Service	1,964.0	96.38	4.91%	.83
Nat. Res. Function	12,392.7	464.27	3.75%	.76
BIA Nat. Resources	93.2	7.99	8.57%	.89
OTHER:				
BIA	$ 970.0	$ 18.59	1.92%	.50
BIA Indian Services	215.5	10.64	4.94%	.74
Overall Indian Bud.	2,165.9	54.30	2.51%	.33
Federal Non-D Bud.**	451,813.9	30,983.97	6.86%	.98
U.S. Population	231,653,467	2,317,250	1.00%	.999
Indian Population	855,333	34,836	4.07%	.97

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*Correlation includes only 1978 through 1989.
**Excludes National Defense and Debt Payments.

TABLE 2. Trends in Selected Elements of the Federal Budget
Actual Outlays, 1982-1989 Trends
(budget data in millions of dollars)

	Average Level	Annual Change	Percent Change	r^2
EDUCATION:				
U.S. Education	$ 17,196.5	$ 971.43	5.65%	.80
Education Function	30,234.9	1,371.89	4.54%	.84
Indian Education	67.9	.52	.76%	.53
BIA Educ. Subtotal	265.9	- 2.99	- 1.13%	.18
HEALTH:				
U.S. Health	$ 137,287.2	$ 9,058.43	6.60%	.95
Health Function	36,024.9	3,006.18	8.34%	.97
Indian Health Serv.	865.5	44.87	5.18%	.94
HOUSING & DEVELOP.:				
U.S. Housing	$ 18,273.1	$ 476.34	2.61%	.06
Econ. Dev. Function	6,968.0	- 378.38	- 5.43%	.70
Indian Housing	305.2	- 38.03	-12.46%	.86
ANA	28.8	.22	.78%	.52
BIA Economic Devel.	52.4	- 3.30	- 6.29%	.42
NATURAL RESOURCES:				
U.S. Interior	$ 4,814.5	$ 141.64	2.94%	.66
Fish & Wildlife Ser.	384.7	11.60	3.02%	.46
Bureau of Land Mgmt.	825.0	- 63.78	- 7.73%	.46
Forest Service	2,276.9	58.49	2.57%	.67
Nat. Res. Function	13,723.1	429.87	3.13%	.74
BIA Nat. Resources	121.7	6.26	5.15%	.52
OTHER:				
BIA	$ 1,025.2	$ 4.88	.48%	.03
BIA Indian Services	251.7	5.84	2.32%	.17
Overall Indian Bud.	2,292.5	10.60	.46%	.17
Federal Non-D Bud.*	562,179.0	23,924.05	4.26%	.97
U.S. Population	239,807,500	2,211,452	.92%	.9998
Indian Population	975,111	28,378	2.91%	.998

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*Excludes National Defense and Debt Payments

TABLE 3. Trends in Selected Elements of the Federal Budget
Real 1982 Dollars, 1975-1989 Trends
(budget data in millions of dollars)

	Average Level	Annual Change	Percent Change	r^2
EDUCATION:				
U.S. Education	$ 15,005.0	$ 183.67	1.22%	.23
Education Function	30,031.8	- 494.74	- 1.65%	.22
Indian Education	72.1	- 2.75	- 3.82%	.70
BIA Educ. Subtotal	287.4	- 13.91	- 4.84%	.95
HEALTH:				
U.S. Health	$ 102,487.1	$ 4,964.14	4.84%	.96
Health Function	28,847.3	920.82	3.19%	.88
Indian Health Serv.	732.1	14.85	2.03%	.40
HOUSING & DEVELOP.:				
U.S. Housing	$ 14,328.8	$ 454.66	3.17%	.27
Econ. Dev. Function	8,702.8	- 519.70	- 5.97%	.44
Indian Housing*	482.5	- 86.73	-17.98%	.82
ANA	35.7	- 2.67	- 7.49%	.85
BIA Economic Devel.	68.4	- 5.12	- 7.48%	.72
NATURAL RESOURCES:				
U.S. Interior	$ 4,476.8	$ - 24.85	- .56%	.04
Fish & Wildlife Ser.	334.2	3.54	1.06%	.08
Bureau of Land Mgmt.	823.3	- 20.73	- 2.52%	.14
Forest Service	2,069.4	- .96	- .05%	.0004
Nat. Res. Function	13,249.4	- 193.28	- 1.46%	.31
BIA Nat. Resources	94.4	3.83	4.05%	.60
OTHER:				
BIA	$ 1,057.8	$ - 36.31	- 3.43%	.84
BIA Indian Services	227.1	- .19	- .08%	.001
Overall Indian Bud.	2,337.7	- 57.52	- 2.46%	.28
Federal Non-D Bud.**	467,106.4	8,775.18	1.88	.87

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*Correlation includes only 1978 through 1989.
**Excludes National Defense and Debt Payments.

TABLE 4. Trends in Selected Elements of the Federal Budget
Real 1982 Dollars, 1982-1989 Trends
(budget data in millions of dollars)

	Average Level	Annual Change	Percent Change	r^2
EDUCATION:				
U.S. Education	$ 15,161.0	$ 340.97	2.25%	.47
Education Function	26,708.7	306.32	1.15%	.31
Indian Education	60.7	- 3.27	- 5.39%	.87
BIA Educ. Subtotal	237.2	- 10.49	- 4.42%	.76
HEALTH:				
U.S. Health	$ 120,831.8	$ 4,075.61	3.37%	.77
Health Function	31,614.4	1,593.10	5.04%	.96
Indian Health Serv.	763.7	15.02	1.97%	.65
HOUSING & DEVELOP.:				
U.S. Housing	$ 16,185.5	$ - 98.43	- .61%	.003
Econ. Dev. Function	6,261.3	- 542.97	- 8.67%	.87
Indian Housing	277.6	- 43.17	-15.55%	.88
ANA	25.6	- .65	- 2.53%	.93
BIA Economic Devel.	47.2	- 4.33	- 9.18%	.63
NATURAL RESOURCES:				
U.S. Interior	$ 4,264.2	$ - 10.92	- .26%	.01
Fish & Wildlife Ser.	340.7	- .49	- .14%	.002
Bureau of Land Mgmt.	744.7	- 84.47	-11.34%	.61
Forest Service	2,018.2	- 12.87	- .64%	.11
Nat. Res. Function	12,152.8	- 33.12	- .27%	.02
BIA Nat. Resources	107.4	2.25	2.10%	.14
OTHER:				
BIA	$ 912.0	$ - 25.69	- 2.82%	.51
BIA Indian Services	223.3	- 2.56	- 1.14%	.05
Overall Indian Bud.	2,039.6	- 57.75	- 2.83%	.88
Federal Non-D Bud.*	496,842.8	4,837.15	.97%	.65

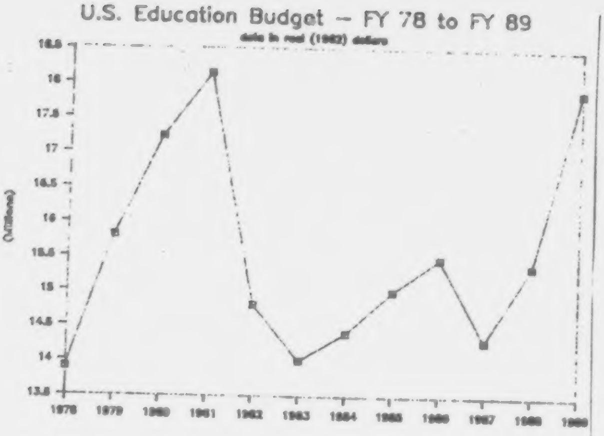
---

*Excludes National Defense and Debt Payments

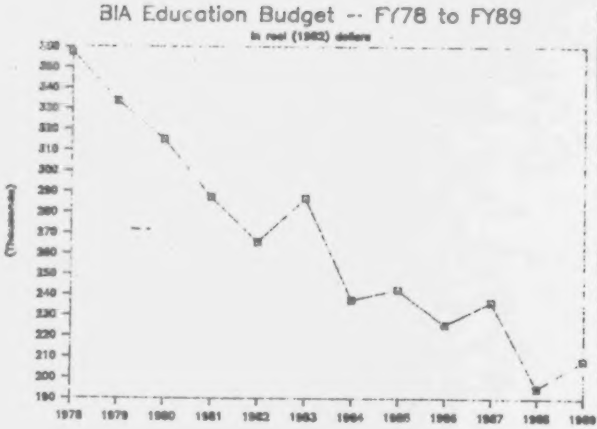
Education

Education data from tables 1 and 4 will illustrate how the data in the tables can be used. Table 1 shows that the Department of Education budget averaged $14.4 billion (from the first column) between 1975 and 1989, and has been increasing at an annual rate of $902 million (from the second column) or 6.26 percent (from the third column). This increase has been a fairly steady upward trend, as indicated from the coefficient of determination of .88 (from the last column). The BIA Education Subtotal averaged $260 million during the same period, and has been increasing at an annual rate of $1.64 million (0.63 percent). However, the budget has fluctuated widely, as suggested by the low coefficient of determination (only .17).

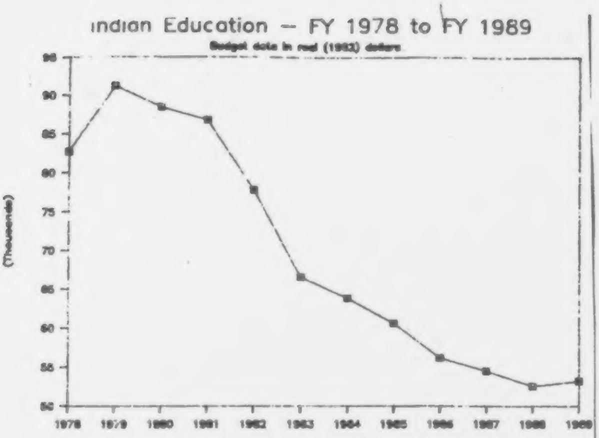
Table 4 identifies budget trends in real dollars during the Reagan Administration. The Department of Education budget has averaged $15 billion (in 1982 dollars) annually since 1982, and has been increasing at $341 million (2.25 percent) annually, but with substantial annual variation. In contrast, the BIA Educational Subtotal has averaged $237 million annually in 1982 dollars, but has been declining at $10.5 million (4.42 percent) annually. While education funding has been increasing generally, funding for Indian education has been falling. (See graph #1 and graph #2 which compares the growth or decline of the U.S. Education and BIA Education Budgets in real dollars. A graph which shows the same downward trend in Department of Education-Indian Education dollars is also provided as graph #3.)



GRAPH #1



GRAPH #2

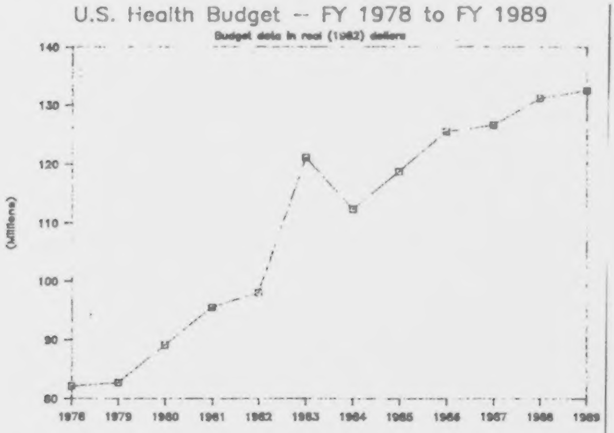


GRAPH #3

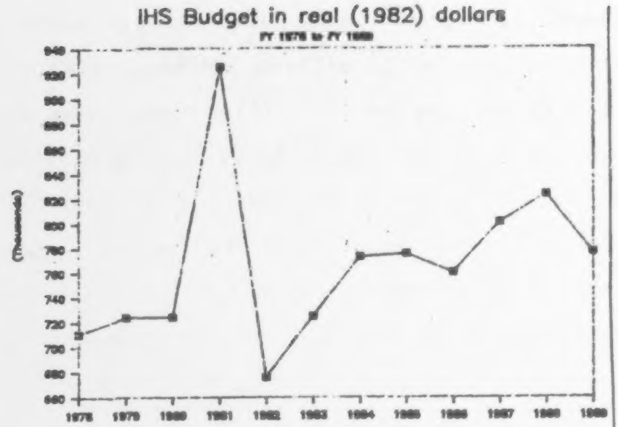
Health

A reflection of the actual status of U.S. Health dollars as compared to Indian Health care dollars is presented in Table 2 and Table 4. The actual outlays indicate that the Federal health budget averaged $36 billion (from the first column) between 1982 and 1989, and has been increasing at an annual rate of $3 billion (from the second column) or 8.34 percent (from the third column). This increase has been a consistent upward trend as substantiated by the coefficient of determination of .97. During the same time period, the Indian Health Service averaged $865 million and has been increasing at an annual rate of $44 million (5.18 percent). The increase has been a fairly steady increase, as indicated from the coefficient of determination of .94.

Table 4 highlights budget trends in real dollars during the Reaganomics era. The Federal Health Budget has averaged $31 billion (in 1982 dollars) annually since 1982, and has been increasing at $1.6 billion (5.04 percent) annually, with steady annual variation. The Indian Health Service budget has realized less significant gains, with an annual average budget of $763.7 million, which receives a $15 million increase (1.97 percent) per year. In comparison, the federal health budget far outpaces the IHS budget and with major inflationary health care costs which increase at nearly 7 percent per year, the Indian Health care dollar has significantly less purchasing power. (Graph #4 and Graph #5 show the differences in real dollars between the U.S. Health and Indian Health Budget. It is important to note the differences between the billions expended in the U.S. and the millions expended in the Indian Health Service.)



<ins>GRAPH #4</ins>

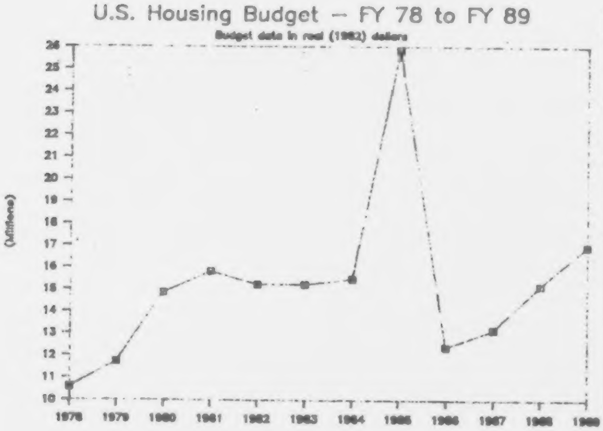


GRAPH #5

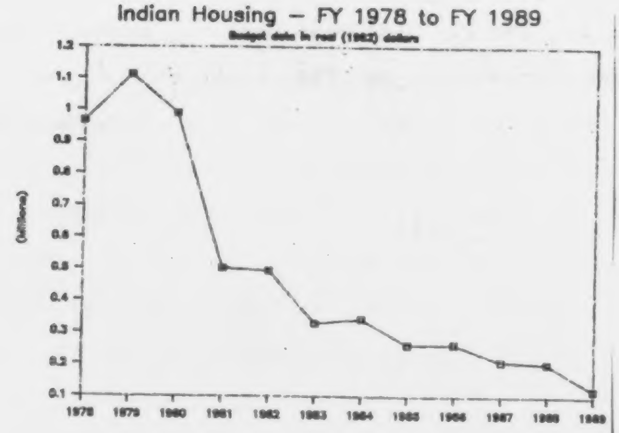
Housing and Development

"Housing" from tables 1 and 4 will illustrate how the trends in U.S. and Indian housing are significantly different. Table 1 shows that the Department of Housing budget averaged $14 billion (from the first column) between 1975 and 1989, and has been increasing at an annual rate of $1.1 billion (from the second column) or 7.85% (from the third column). This increase has fluctuated throughout the years with a high indicator of variation, as indicated from the coefficient of determination of .64. The Indian Housing budget averaged $444 million during the same period, and has been decreasing at an annual rate of $60.3 million (13.58 percent). This trend is fairly consistent as suggested by a coefficient of determination of .82.

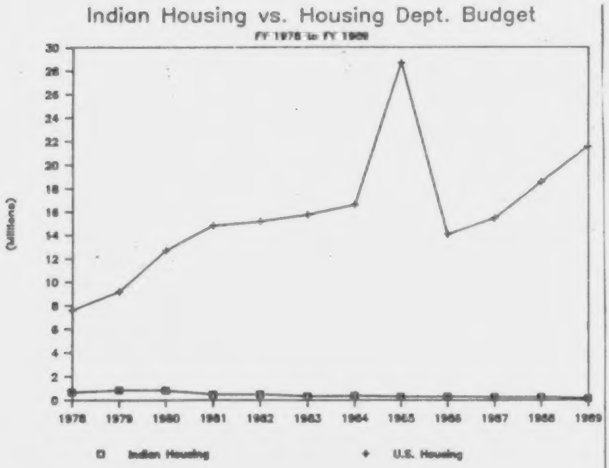
Table 4 reflects budget trends in real dollars for the current Administration. The Department of Housing budget has averaged $16 billion (in 1982 real dollars) annually since 1982, and has been decreasing at $98 million (.61 percent) with significant variation. In contrast, the Indian Housing budget has averaged $277 million annually in 1982 dollars, but has been declining at $43.7 million (-15.55 percent) annually. While the federal Housing budget has been realizing mild reductions, the Indian Housing budget has been virtually wiped out at more than fifteen percent per year. (See graph #6 and #7 to view the growth of the U.S. Housing budget as compared to the Indian Housing budget. Graph #8 is a presentation of both the U.S. Housing and Indian Housing budget outlays for 1978 to 1989.)



GRAPH #6



GRAPH #7

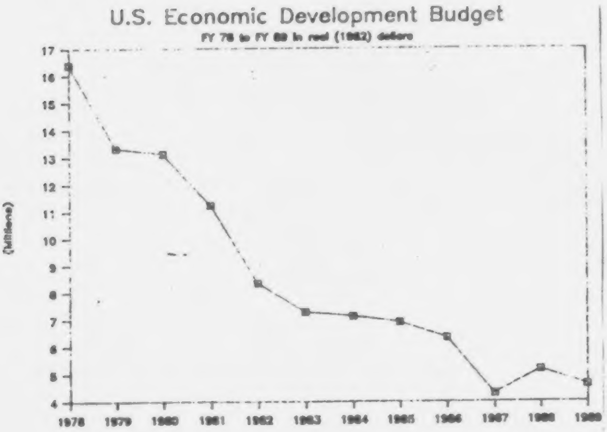


GRAPH #8

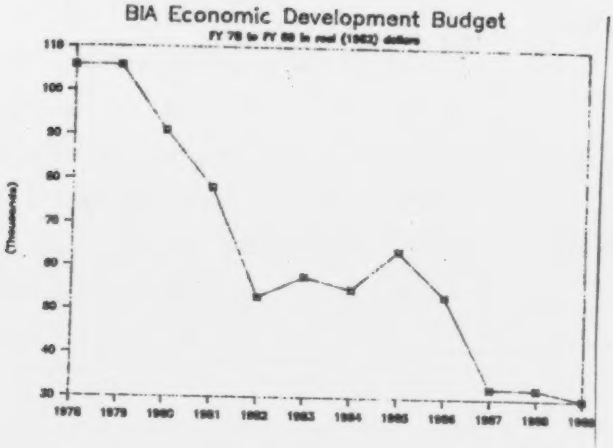
"Economic Development" has not faired well in either the U.S. or in Indian Country. For purposes of this analysis, the functional U.S. budget was compared to the BIA Economic Development Program and to the Administration of Native Americans (ANA) which provides funds to Tribes and Indian Organizations for Social and Economic Development.

Table 2 reflects trends in Actual Outlays under Economic Development. From 1982 to 1989, the Federal Budget averaged $6.9 billion (from the first column) and decreased by $378 million (5.43 percent). This decrease has varied fairly evenly over this time period, as reflected by a coefficient of determination of .70. The BIA Economic Development program averaged $52 million (from the first column), and has been decreasing at annual rate of $3.3 million (from the second column) or 6.29 percent (from the third column). This trend has been unsteady but substantial over the time period analyzed in this study. In ANA the average annual budget is $28.8 million and has increased at an annual rate of .2 million or .78 percent.

Table 4 identifies budget trends in real dollars during the Reagan Administration. The federal Economic Development budget averaged $6.2 billion (in 1982 real dollars) annually since 1982, and has been decreasing by $543 million (8.67 percent) annually, with steady variation. Similarly, the BIA Economic Development Program has suffered similar decreases, with a budget averaging $47 million (in real 1982 dollars) which decreases $4.3 million each year at 9.18 percent annually. The trend is highly variable and changes from year to year but continuously decreases throughout. ANA averaged $25.6 million (in real 1982 dollars) and has only received a decrease of $.65 million each year at 2.53 percent. This trend has been highly stable with a coefficient of determination of .93. (Graph #9, #10 and #11 illustrate these decreasing trends for the Federal Economic Development Functional Budget, the BIA Economic Development Program and the Administration for Native Americans in real dollars.)



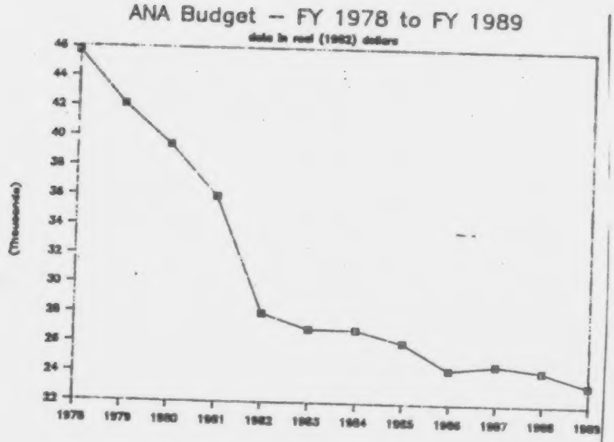
GRAPH #9



BIA Economic Development Budget

FY 78 to FY 89 in real (1982) dollars

GRAPH #10



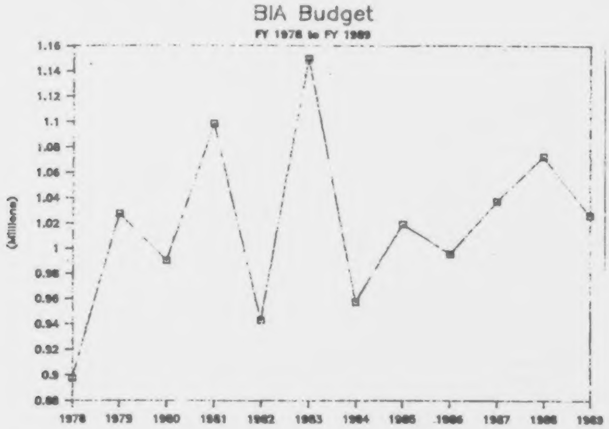
ANA Budget -- FY 1978 to FY 1989

data in real (1982) dollars

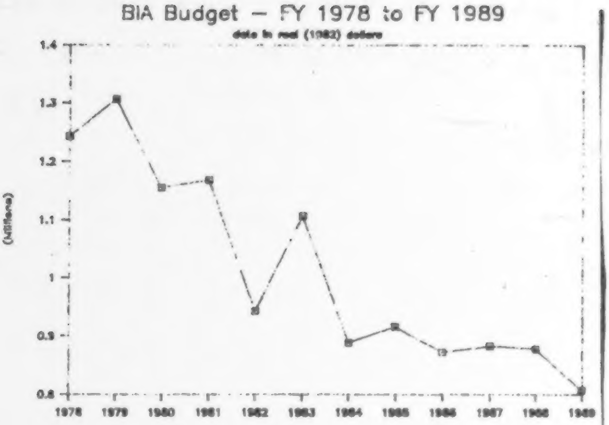
GRAPH #11

Overall Findings

The BIA budget in Table 2 has averaged $1.02 billion (from the first column) between 1982 and 1989, and has been increasing at an annual rate of 4.8 million (from the second column) or .48 percent (from the third column). This increase has been gradually realized at a highly fluctuating rate with an coefficient of determination of .03 percent. When compared to the trend in real 1982 dollars, the BIA budget during the same time averaged $912 million each year, with a decrease of $25.7 million in real dollars at 2.82 percent. (Graph #12 presents the BIA Budget from 1978 to 1989 in real dollars. The decrease in real dollars is extremely significant. Graph #13 presents the BIA Budget during the same time period in terms of actual appropriations and the President's FY 1989 Request, the trend and apparent increase is deceiving in light of the real dollars illustrated in Graph # 12. Even with continued BIA Budget increases, the actual purchasing power of the BIA Budget is decreasing at an extremely high rate.)



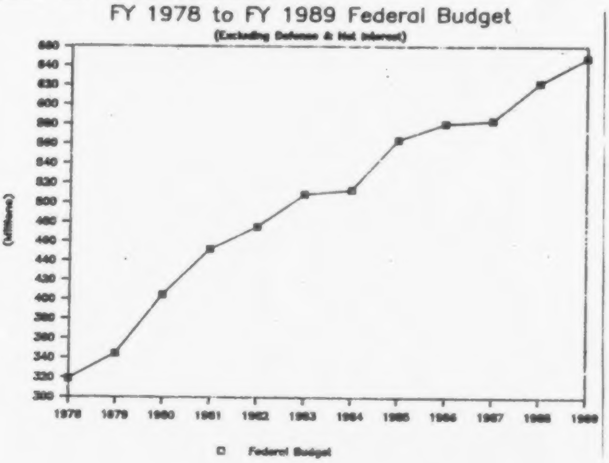
GRAPH #12



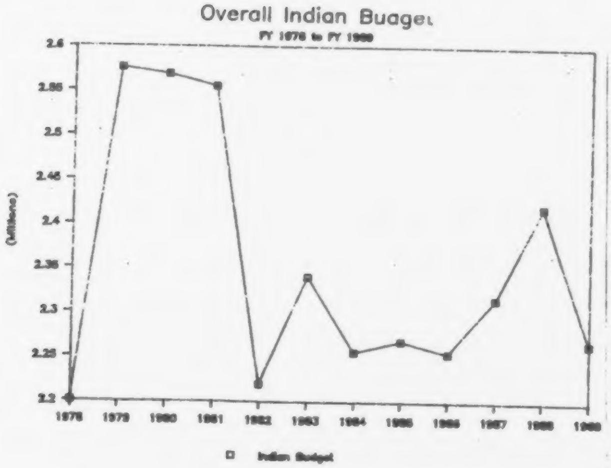
GRAPH #13

When looking over comparisons between the total Federal budget, excluding Defense and Net Interest, and the total Indian Budget, the results are profoundly significant. Table 2 shows the trends in Actual Outlays between 1982 to 1989. In Table 2 the average Federal Non-Defense Budget was $562 Billion each year (from column one) and increased by $23 billion annually (from column two) at 4.26 percent each year (from column three). This rate of increase has been very steady over the years as indicated by a coefficient or determination of .97 percent (from column four). The Overall Indian Budget has averaged $2.2 billion each year (from column one) and increased by $10.6 million annually (from column two) at .46 percent each year (from column four). This rate of growth is not as steady as indicated by the coefficient of determination of .17. This level of growth between the U.S. and Indian Budget is a difference of 3.29 percent in favor of the U.S. Budget.

(Graph #14 presents the Actual Outlays in the Total Federal Budget during the last ten years between 1978 to 1989. Graph #15 illustrates the Actual Outlays in the Total Indian Budget during that same time. The actual difference is even more startling when analyzed in real dollars.

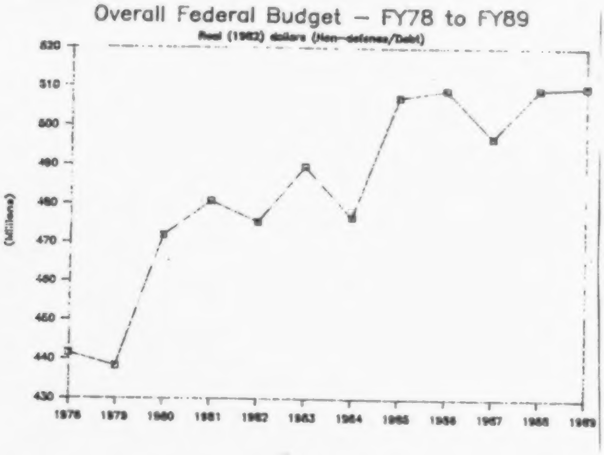


GRAPH #14

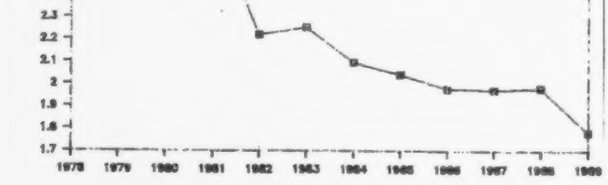


GRAPH #15

Graph #16 presents the Total Federal Budget and its continuous and increasing growth from FY 1978 to FY 1989. When compared to Graph #17, the Total Indian Budget and it is steady and significantly decreasing trend, the rest of the country is managing very well and Indian Country is suffering from inflationary decreases in real dollars.)


Overall Federal Budget – FY78 to FY89
Real (1982) dollars (Non-defense/Debt)

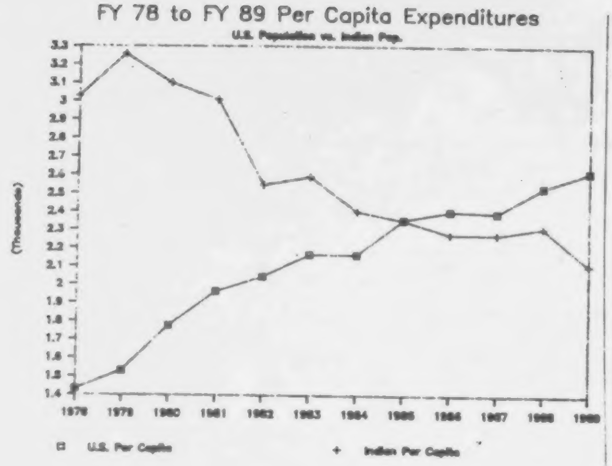
GRAPH #16


Indian Budget in real (1982) dollars
FY 1978 to FY 1989

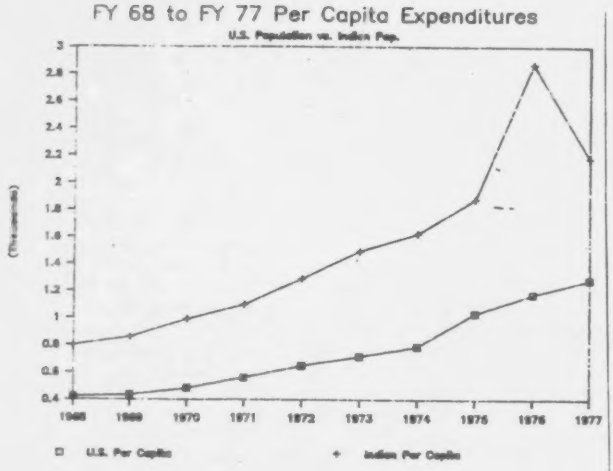
GRAPH #17

Population and Per Capita Expenditures

As noted in Table I, the U.S. population has averaged 231,653,467 over the years between 1975 and 1989, with an annual increase of 2,317,250 persons per year at 1.00 percent. During that same time the Indian Population averaged 855,333 persons per year and increased by 34,836 each year at 4.07 percent. (Based on IHS Service Population data.) These population data were analyzed in relation to the overall Federal Budget and overall Indian Budget. Upon calculation a per capita expenditure per person was generated and is illustrated graphically. Graph #18 presents FY 68 to FY 77 Per Capita Expenditures of both the U.S. Population and the Indian Population. During the late sixties and early seventies, the Indian Population was receiving a higher per capita expenditure. This changes dramatically in the eighties, as presented in Graph #19, which illustrates the Fiscal Years 1978 to 1989. The U.S. population per capita expenditure increased and overcame the Indian per capita expenditure rate in 1985. It is anticipated that with inflationary increases in the U.S. Federal Budget and decreases in the Total Indian Budget that this difference will grow even higher.



GRAPH #18



GRAPH #19

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LAWTON CHILES, FLORIDA
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G. LAWRENCE ATKINS, MINORITY STAFF DIRECTOR

United States Senate
SPECIAL COMMITTEE ON AGING
WASHINGTON, DC 20510-6400

March 25, 1988

The Honorable Lawton Chiles
Chairman
The Honorable Pete V. Domenici
Ranking Member
Committee on the Budget
U.S. Senate
Washington, D.C. 20510

Dear Lawton and Pete:

We are writing to respond to your request for our comments with regard to budget priorities. The enclosed Aging Committee report outlines the President's fiscal year 1989 budget proposals affecting programs serving older Americans. A number of these budget proposals are of particular concern to us and we would like to take this opportunity to urge the Budget Committee to take note of these concerns in drafting the first Budget Resolution.

While we are pleased to note that the proposed cuts in the Administration's fiscal year 1989 budget are much more realistic than previous budget submissions, there are a number of budget proposals that would affect programs serving the elderly which we believe are ill-advised. We are particularly concerned about proposals which would reduce the quality of health care and limit access to vital programs such as housing, health care and social services.

We oppose the over $1.2 billion in Medicare cuts contained in the President's budget. Not only do we agree with many Budget Summit participants that the proposal is a breach of the Budget Summit agreement, but we are concerned that such a cut has potential to financially harm providers and thus threaten access to and quality of medical care. In addition, we believe the proposal to make permanent the provision requiring that 25 percent of Medicare Part B program costs be financed by the elderly is, at best, premature until Congress and the Administration comprehensively address the program's out-of-control expenditures.

Similar to the proposed Medicare cut, we believe the proposed $413 million cut from the Medicaid program (which would be achieved through regulatory changes) conflicts with our understanding of last year's budget compromise agreement. Most importantly, we are concerned that such cuts would create further restrictions to needed medical care by the poor.

We also urge that the Budget Committee provide for important Medicaid initiatives that received priority attention in the fiscal year 1988 budget resolution agreed to by the Senate and House. These initiatives, which are important parts of the Medicare catastrophic health care legislation now in conference, would: (1) provide income and asset protection for at-home spouses of persons in nursing homes who receive Medicaid assistance (the spousal impoverishment issue) and (2) help Medicaid provide assistance to low-income elderly and disabled persons in meeting Medicare cost-sharing requirements (the Medicare "buy-in" issue). We believe these issues should, once again, receive high priority during Budget Committee consideration of the fiscal year 1989 resolution.

Although the President does not request any reduction of benefits for those receiving Social Security, his budget does propose another cut in staffing at the Social Security Administration (SSA). In keeping with the Administration's intent to eliminate 17,000 staff by 1990, staff would be cut by nearly 3,800 this year. The Administration is in the process of modernizing SSA's computers and administrative procedures and states that, as a result of these changes, SSA will be better able to serve Social Security beneficiaries. However, we continue to have concerns about the ability of SSA field offices to provide high quality service to beneficiaries during this modernization process and believe that any further staff reductions should be closely monitored to assure that the quality of services does not decline.

We are particularly concerned about the President's housing proposals which would accelerate the already drastic recent cuts in Federally funded housing programs for low- and moderate-income Americans. Budget authorizations for housing accounted for 7 percent of the Federal budget in 1978 -- they now account for only 0.7 percent. Assisted housing programs at the Department of Housing and Urban Development (HUD) were appropriated over $30 billion in FY 1981. They now have a funding level of slightly more than $8.42 billion in FY 1988 -- a reduction of over 70 percent. Consistent with this disturbing trend, Farmer's Home Administration (FmHA) rural housing programs have been cut by over half.

For FY 1989, as in the past, the President proposes to eliminate almost all programs that build, rehabilitate, or modernize housing for low- and moderate-income Americans, and replace them with vouchers. Overall, the President's budget would reduce funding for HUD by 12 percent -- from $15.4 billion in FY 1988 to $13.6 in FY 1989. The FY 1989 budget for HUD-assisted housing would be cut by $1.5 billion, leaving a level of $6.89 billion. More specifically, the Section 202 program for the elderly and handicapped would be cut from the FY 1988 loan limitation of $565.8 million to finance the construction of 10,990 units, to a loan limitation of $350 million to finance the construction of 7,000 new units -- a reduction of 38.1 percent over FY 1988. In addition, FmHA programs would be cut by over 80 percent.

The total impact of the Reagan administration's housing policies will not be felt until several years from now. Because approved funding of these programs is scheduled to be spent over a long period of time -- 20, 30, or even 40 years -- cuts in budget authority are slow to result in reductions in outlays or actual spending. Thus, in spite of substantial reductions in budget authority, outlays on assisted housing programs increased from $5.75 billion in fiscal year 1981 to an estimated $9.5 billion in fiscal year 1987. We believe the time has come to reassert our commitment to providing safe and affordable housing to Americans of all ages, including the elderly. Therefore, we urge you not only to reject the President's proposed cuts in housing programs, but also to work to formulate a Federal housing policy that will ensure that the shelter needs of all Americans are being met.

Finally, we are deeply disturbed that the Administration has again singled out the Low Income Energy Assistance Program (LIHEAP) for a $345 million cut. This important program for vulnerable low income persons has already been targeted for $600 million in cuts since 1985. We believe continued major cuts to the LIHEAP program would be especially devastating to the 40 percent of program recipients who are elderly because this population is particularly susceptible to hypothermia or heat stroke. The perception that states use monies from oil overcharge allocations to fill the gap imposed by the federal cuts is simply not accurate and we urge that the Committee restore this vital program to its 1987 funding level of $1.8 billion.

As members of the Special Committee on Aging yourselves, we know you share our particular interest in budget proposals affecting the elderly. We appreciate your consideration of our concerns and look forward to working with you on balancing the very real needs of our elderly, our children and our poor with the need to reduce the federal deficit.

Sincerely,

John Melcher
Chairman

John Heinz
Ranking Member

Enclosure

THE PRESIDENT'S FISCAL YEAR 1989 BUDGET PROPOSAL
HOW IT WOULD AFFECT OLDER AMERICANS

STAFF REPORT

U.S. SENATE SPECIAL COMMITTEE ON AGING
THE HONORABLE JOHN MELCHER, CHAIRMAN

MARCH 25, 1988

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FORWARD

For the first time in recent memory, the President has submitted a budget that has not been characterized as dead on arrival. This is an encouraging development as it should enable the Congress to work much more cooperatively with the Administration in crafting a budget compromise that reflects the need to reduce the Federal deficit, while providing for the basic human needs of our population.

Although the Administration's fiscal year 1989 budget proposal represents a much more realistic budget approach than previous year's submissions, it still has some noticable and unacceptable blemishes that must be addressed before a final budget emerges from the Congress. Particularly ill-advised proposals include those that would decimate Federal housing programs, breach the 1987 Budget Summit agreement by calling for additional Medicare and Medicaid cuts, and cut needed Federal support of the Low Income Home Energy Assistance Program. As the Congress crafts its budget alternative, it must not turn its back on these and other essential programs that provide essential services for the elderly.

This report summarizes the Administration's proposed Fiscal Year 1989 budget and its impact on older Americans. It was prepared by the staff of the U.S. Senate Special Committee on Aging. Figures used in this report are based predominantly on current budget projections by the Congressional Budget Office.

John Melcher
Chairman

Chapter 1 -- Health

MEDICARE

The Program

Established in 1965, the Medicare program is designed to provide insurance protection against short-term illness. Part A of Medicare, the hospital insurance component, pays for inpatient hospital and hospice care, short-term stays in skilled nursing facilities, and a limited amount of home health services. It is financed primarily through a special payroll deduction included as part of the Social Security tax. Part B of the program, the Supplemental Medical Insurance component, pays for physician, hospital outpatient and laboratory services, and treatment of end-stage renal disease. Financing for Part B is through general revenues and premium payments from beneficiaries who elect to buy the coverage. Approximately 95 percent of Medicare beneficiaries choose to buy Part B coverage.

In 1989, an estimated 30 million elderly and 3 million disabled persons will be eligible for Medicare. Despite the important protection that Medicare provides, it covers less than half of all personal health care expenditures for the elderly. Fiscal Year 1988 Medicare outlays are estimated to total $88.9 billion.

Medicare
(outlays in billions)

	FY 88	FY 89	
		Current Services	Proposed
Administration	$78.9	$85.3	$84
CBO	$80.1	$87	$86

Administration's Proposed Fiscal Year 1989 Budget

The President's FY 1989 proposed budget provides $86 billion in outlays for the Medicare program, approximately $1 billion below the amount needed to maintain the FY 1988 level of services. Over a five-year period, these proposed cuts would total an estimated $14.6 billion. As a rationale, the Administration contends that the savings enacted in the program in accordance with the 1987 bipartisian budget summit with the Congress were not sufficient to meet the terms of that agreement. (The agreement provided that Medicare expenditures were to be reduced by a total of $5.5 billion in FY's 1988 and 1989. As estimated by CBO, these targets were subsequently exceeded by $400 million in legislation enacted in the Omnibus Budget Reconciliation Act of 1987, Public Law 100-23.) Disputing the extent of these savings, the Administration has proposed additional reductions of $980 million in Part A and nearly $240 million in Part B, a total of $1.2 billion.

Beneficiary Impact

The Administration's FY 1989 budget would permanently fix Medicare Part B premiums at 25 percent of the program's costs. Under current law, premiums are required to fund 25 percent of Part B costs only through 1989, after which, premiums amounts will be tied to the Social Security cost-of-living adjustment (COLA). As program costs are projected to rise at a significantly faster rate than the COLA, this proposal would cost Part B beneficiaries an additional total of $6.9 billion through 1993, according to CBO.

Provider Impact

A number of proposals to reduce reimbursements to providers by $1.4 billion in FY 89 are included in the Administration's budget. Over a five-year period, these proposals would amount to $9.6 billion in cuts. Key provisions include:

> **--Physician Services--** Payments to physicians would be reduced by $53 million in FY 1989, according to CBO, by placing cost controls beyond those recently enacted in P.L. 100-23 for surgical procedures considered to be overpriced. (Under P.L. 100-23, payments for overpriced procedures generally were reduced by 2 percent.) The Administration proposes to cut payments by an additional 5 percent. Five-year savings are estimated at $505 million. In addition, payments to cover radiologist and anesthesiologist fees would be reduced by 10 percent in FY 1989, resulting in one-year savings of $156 million and five-year savings of $1.5 billion.
>
> **--Medical Equipment--** Payments for durable medical equipment (wheelchairs, hospital beds, etc.), oxygen supplies, and renal dialysis services would be reduced by $95 million in FY 1989 and by $855 over the next five years. In addition, proposed changes to the way in which suppliers of home dialysis products are paid would save an estimated $55 million in FY 1989 and $585 million through FY 1993. Similarly, payments to suppliers of enteral products and equipment (nutritional products and medical equipment designed for those who are unable to ingest food) would be cut by an estimated $20 million and $120 million in FY 1989 and over the next five years, respectively.
>
> **--Medical Education--** Payments to hospitals for the direct costs of medical education -- namely, residents and teachers' salaries and classroom expenses -- would be reduced by $60 million in FY 1989 and $440 million over a five-year period. Proposed cuts for payments for the indirect costs of medical education -- the costs of additional tests and procedures prescribed for purposes of learning -- would be reduced by an estimated $900 million in FY 1989 and $5.3 million over a five-year period.

Peer Review Organizations (PROs)

Funding for PROs, which monitor utilization and quality of care, would be increased by almost 70 percent, from $131 million to $322 million, according to the Administration. The proposed increase would fund implementation of new quality control measures, including substandard care review, preadmission review for certain frequently performed surgical procedures, and review of second surgical opinions.

Other Quality Control Efforts

The 1989 budget submission requests would freeze at $66 million funding for the inspection of skilled nursing facilities and hospices under Medicare and the certification of a number of new facilities.

Coverage of State and Local Employees

As a revenue raising measure, the President's budget would mandate Medicare coverage of all state and local employees. Under current law, only employees hired after March 31, 1986, are required to pay the Medicare payroll tax and thus are assured Medicare coverage. By extending the Medicare payroll tax of 1.45 percent to non-covered workers, an additional $1.5 billion in FY 1989 and $9.2 billion over the next five years in revenues would flow to the Medicare trust funds. As a result of the increased number of beneficiaries, outlays would rise by an estimated $55 million over this same period.

Fiscal Intermediaries

Under the President's budget, Medicare's fiscal intermediaries would receive $100 million above the FY 1988 level. This increase would fund intensified medical reviews, prepayment screens, prepayment quality reviews, and other measures aimed at reducing the volume of services provided by certain physicians.

Catastrophic Care

In anticipation of enactment in 1988 of the Medicare catastrophic care legislation, the budget would establish a contingency fund of $112.4 million for implementation of the measure.

Administrative Expenditures

The President's 1989 budget would provide an increase of $250 million per year for Medicare contractors to process claims.

MEDICAID

The Program

In 1965, the Medicaid program was established to help States finance health care for needy individuals, including supplemental care for needy elderly persons who qualify for Medicare. The Health Care Financing Administration (HCFA) administers the program (in addition to the Medicare program). Based on the number of Medicaid beneficiaries and the relative per capita income in each State, federal matching funds provide 50 to 83 percent of the State's health care costs and between 50 to 90 percent of the administrative costs of the program.

In FY 1988, federal expenditures of $30.5 billion are estimated for Medicaid. A total of 24.2 million needy individuals, of which 3.5 million are elderly, are expected to be provided health care under this program in the fiscal year.

Medicaid
(outlays in billions)

		FY 89	
	FY 88	Current Services	Proposed
Administration	$30.7	$33.7	$32.7
CBO	$30.5	$33.8	$33.4

Administration's Proposed Fiscal Year 1989 Budget

The President's FY 1989 budget includes $33.8 billion in Federal outlays for the Medicaid program. Proposed regulatory changes would reduce program expenditures by a total of $413 million in FY 1989 and by $2.5 billion over the next five years. (In accordance with the 1987 bipartisan budget summit, the President has not proposed legislation to reduce program spending.)

Proposed Regulatory Changes

--Lein and Estate Recovery-- HCFA would issue regulatory guidelines to encourage States to recover Medicaid payments from the estate and remaining assets of individuals who transfer their assets to others in order to meet the low-income eligibility criterion under Medicaid. Estimated savings in FY 1989: $5 million.

--Medically-Needy Income Level-- The medically-needed income level, which is used to determine eligibility for the class of Medicaid beneficiaries covered at State option, would be held to 133 1/3 percent of the amount ordinarily paid under the Aid for Families with Dependent Children to an individual. This change would eliminate coverage of some beneficiaries, resulting in an estimated reduction in FY 1989 Medicaid expenditures of $45 million.

--Ambulatory Surgery-- HCFA would propose new rules to promote States to adopt use of ambulatory surgery and same-day surgery, and preadmission testing. Although the Administration estimates savings of $31 million in FY 1989, CBO projects that this proposed rule would have no impact on expenditures.

--Non-Medical Care of Retarded Individuals-- Coverage of mentally retarded individuals in intermediate care facilities would no longer include non-medical care. Savings of $95 million would result in FY 1989.

--Computerized Information Systems-- Eligibility for federal matching funds for computerized Medicaid management systems would be narrowed. Estimated savings in FY 1989 are $80 million.

--Donations-- New HCFA regulations would limit federal matching of Medicaid funds to States whose share is provided by private donations. (The potential impact of the proposed change appears to be limited to West Virginia.) Savings of $176 million are estimated in FY 1989.

NATIONAL INSTITUTES OF HEALTH

The Program

Established more than a century ago, the National Institutes of Health (NIH) conducts and supports research aimed at improving the health of all Americans. It is the principal biomedical research agency of the Federal Government and encompasses 10 member institutes which focus on areas of special concern to the Nation's older population. In FY 1988, approximately $6.199 billion (excluding funding specifically for AIDS) was appropriated to NIH.

Administration's Proposed Fiscal Year 1989 Budget

For FY 1989, the President's budget includes $6.535 billion in budget authority for NIH, an increase of $336 million or 5.4 percent over the comparable previous year's level. (Unlike preceding years, the FY 1989 budget no longer includes NIH funds for AIDS research in the NIH account. Any comparisions with FY 1988 funding levels have been adjusted accordingly.) This funding would support 20,600 research project grants, 837 more than the FY 1988 level. The number of non competitive or continuing grants would rise from 13,898 to 14,989. However, the number of competitive grants would decrease in FY 1989, from 5,865 to 5,611. The number of research centers funded in FY 1989 would decline slightly, from 559 in FY 1988 to 555. Proposed funding for a number of other areas would remain at the FY 1988 level, requiring recipients to absorb a CBO-estimated inflation rate of 4.1 percent (for NIH programs only).

With respect to the 10 member research institutes of concern to older Americans, the following briefly describes their functions and outlines the funding level proposed by the President.

A. National Institute on Aging

The National Institute on Aging (NIA) conducts and supports biomedical research aimed at easing or eliminating the physical, psychological and social problems which affect older Americans. Areas of biomedical and clinical research include studies on the genetic determinants of aging, the diagnosis and treatment of Alzheimer's disease and osteoporosis, the impact of nutrition on aging; drug use by the elderly, sleep disorders, and depression.

Under the President's budget, NIA would receive $205 million in budget authority in FY 1989, a $10.4 million increase over FY 1988. The number of competitive research grants would fall by 32, from 209 in FY 1988 to 177 in FY 1989. The number of research centers and training awards would remain at their FY 1989 levels.

B. National Cancer Institute

The National Cancer Institute (NCI) conducts and sponsors research relating to the cause, prevention, detection and treatment of cancer. Of all new cancer cases reported, over half involve elderly persons, and over 60 percent of those who die annually of cancer are older Americans.

The total budget request for NCI research in FY 1989 is $1.47 billion, approximately $89 million over the previous year's budget authority. Funding for competitive research grants would decline by

$9.3 million, resulting in 73 fewer grants. The number of research centers and training awards would remain at their FY 1988 levels.

C. National Heart, Lung and Blood Institute

The National Heart, Lung and Blood Institute (NHL&BI) focuses on diseases of the heart, blood vessels, blood, lungs and on the management of blood resources. NHL&BI studies three of the top ten chronic conditions afflicting the elderly -- hypertension, heart conditions and arteriosclerosis. Approximately 25 percent of all senior citizens suffer from a chronic heart condition, nearly 40 percent suffer from hypertension, and 8 percent from arteriosclerosis.

The President's budget includes $1.02 billion in budget authority for the NHL&B in FY 1989, an increase of $7 million over the FY 1988 level. At that funding level, the number of competitive grants would deline by 10, from 833 in FY 1988 to 823 in FY 1989. The number of research centers and training awards would hold steady at 1,649.

D. National Institute of Dental Research

The National Institute of Dental Research (NIDR) is the leading Federal agency supporting research and research training on oral health and disease. The major aims of the institute's research program are the preservation of the oral tissues and the prevention of tooth loss from the chief dental diseases -- dental caries and periodontal diseases -- so that human teeth and gums can last a lifetime. Improving the oral health of older people is the focus of a collaborative project between the NIA, the NIDR and the Veterans Administration. The research agenda has identified critical areas such as the relationships between oral health and nutritional status, and chronic pain in older Americans.

In FY 1989, the NIDR would receive a total of 127 million in budget authority, an increase of $4 million from FY 1988. As a result, the number of competetive research grants would rise from 104 to 125, while the number of research centers and training awards remain unchanged.

E. National Institute of Diabetes and Digestive and Kidney Disease

The National Institute of Diabetes and Digestive and Kidney Disease (NIDDK) conducts and supports research in areas of particular concern to the elderly. For example, its research on diabetes is a source of hope for the nearly 10 percent of senior citizens who are suffering from this disease.

In FY 1989, the NIDDK would have a total budget authority of $562 million, about $31 million more than in FY 1988. This would enable NIDDK to increase the number of research grants by 19, from 556 in FY 1988 to 575 in FY 1989. The level of research centers and training awards would not change.

F. National Institute of Neurological and Communicative Disorders and Stroke

The National Institute of Neurological and Communicative Disorders and Stroke (NINCDS) supports and conducts research and research training to further the understanding of the normal and disordered function of the nervous system, (including the brain, spinal cord, and peripheral nerves), muscles, hearing and human communication. The majority of the disorders studied are characterized by long-term disabilities which markedly impair the quality of life. Research on disorders of particular interest to the elderly include stroke, Huntington's disease, Parkinson's disease, amyotrophic lateral sclerosis and the dementias including Alzheimer's disease.

In FY 1989, total budget authority requested for the NINCDS is $558 million, a $35 million increase over the preceding fiscal year. The number of research grants projected at this funding level is 588, 39 more than in FY 1988. The number of research centers and training awards would remain at their FY 1988 levels.

G. National Eye Institute

The National Eye Institute (NEI) conducts and supports research to develop new diagnostic measures, treatments and cures for blinding eye diseases and visual disorders. Eye disorders that are common in older adults and are actively being studied by the NEI include aging-related maculopathy, cataract and glaucoma.

In FY 1989, the budget includes $229 million for the NEI, approximately $8 million above FY 1988 budget authority level. Although the number of research centers and training awards would not change, the number of competitive research grants would increase from 279 in FY 1988 to 303 in FY 1989.

H. National Institute of Arthritis, Musculoskeletal and Skin Diseases

Similar to the NIDDK, the National Institute of Arthritis, Musculoskeletal and Skin Diseases (NIAMSD) conducts and supports research on diseases which, although not often fatal, can cause great hardships for many elderly in the form of increased medical bills and loss of mobility and productivity. Research on varying arthritic conditions and osteoporosis -- diseases which commonly afflict persons over 65 -- are top priorities of the institute.

In FY 1989, total budget authority requested for the NIAMSD is $158 million, $11 million over the FY 1988 level. The number of competitive research grants would decline by 9, from 178 in FY 1988 to 169 in FY 1989. Research centers and training awards would remain at their FY 1988 levels.

I. National Center for Nursing Research

The National Center for Nursing Research (NCNR) supports research and training programs and provides information relating to basic and clinical nursing. NCNR research includes strategies to combat depression among patients in nursing homes, physiological and behavioral approaches to reduce incontinence, intitiatives with respect to Alzheimer's disease, osteoporosis, pain research, and the ethics of therapeutic decision making.

A total of $24.4 million is included in the President's FY 1989 budget for the NCNR, $1.5 million more than in FY 1988. The level of competitive research grants would fall from 48 in FY 1988 to 45 in FY 1989. Training awards would not change.

J. National Institute of Allergy and Infectious Diseases

The National Institute of Allergy and Infectious Diseases (NIAID) focuses on infectious diseases and diseases related to the immune system. Vaccines against influenza and hospital-associated infections, two research goals of NIAID, hold promise for elderly persons who are disproportionately threatened by these infections.

Under the President's budget, NIAID would receive an additional $20.2 million in budget authority in FY 1989, providing a total budget of $435 million. Nevertheless the number of research grants would fall from 525 to 475, while research centers and training awards remained at their FY 1988 levels.

VETERANS HEALTH CARE

The Program

The Veterans Administration (VA) provides a wide range of services to men and women who have served in the Armed Forces. The VA furnishes health care services in 172 VA medical centers, 127 nursing homes, 236 outpatient facilities, 188 vet centers, and 27 domiciliaries. In addition, the VA finances the provision of these services to veterans in private and State facilities.

Under P.L. 99-272, the Veterans Health Care Amendments Act of 1986, a priority system based on the following three categories of veterans was established:

> Category A: Service-disabled veterans, former prisoners of war and veterans exposed to certain toxic substances and radiation, veterans of wars prior to World War II and those receiving VA pensions, as well as those nonservice-disabled veterans with annual earnings of less than $18,000 (with one dependent; $15,000 for a single veteran). The VA is obligated to provide hospital care for veterans in this category. The VA may also provide them with outpatient and nursing care.
>
> Category B: Nonservice-disabled veterans earning between $18,000 and $25,000 per year (with one dependent; between $15,000 and $20,000 for a single veteran).
>
> Category C: Nonservice-disabled veterans with earnings above Category B levels. Within existing resources and a copayment, the VA may provide these veterans with hospital, outpatient and nursing care.

The aging in the elderly population is especially apparent in the veteran population. In 1985, there were 4.6 million veterans over the age of 65. By 1991, the number will grow to an estimated 7.2 million, representing 60 percent of the over-65 male population. By 1999, the projected number of veterans will peak at 8.9 million, of which 3.8 million will be 75 or older.

Administration's Proposed Fiscal Year 1988 Budget

In FY 1989, the President requests $10.3 billion in budget authority for VA hospital and medical care, approximately $330 million below the CBO-estimated current services level. Over a five-year period, this would amount to an estimated reduction relative to the current services level of $1.7 billion. According to the Administration, this funding level would enable the VA to furnish health care to an 1.23 million inpatients and 23.1 million outpatient visits -- increases of 7,055 and 211,000, respectively, over the previous fiscal year levels. However, in light of CBO's estimates and two other proposals (descriptions follow), achievement of these new service levels appears doubtful.

Cut in Health Care Personnel

In a period when demographic changes are generating ever-increasing numbers of aging veterans, the Adminstration is proposing to reduce the number of VA health care staff by nearly 2,000 Full Time Employment Equivalents (FTEE). This proposal would lower expenditures for health care personnel by $141 million in FY 1989. Although the Administration contends that improved productivity will make up for the proposed staff cut, no specific plans to improve efficiency have been developed by the VA. The Administration arrived at the proposed staff level by lowering the medical staff to workload ratio in the formula used to determine staffing needs. Significantly, the VA's existing ratio is well below comparable ratios used in community facilities.

Shortfall in Pay Raises

The Administration's funding request for the January 1989 civilian pay-raise for VA health care personnel is only half the amount required under law. The full cost of the scheduled 4 percent pay raise is $85 million -- twice the amount included in the budget for this purpose. Thus, it appears that if this proposal was implemented the VA would be forced to cut health care services by more than $40 million to make up this funding shortfall.

The President's budget would increase spending in the VA medical and health care account in certain areas including the following:

Extended Care Funding

Funding for the VA's extended care program would be increased by $35.2 million and 588 FTEE. According to the Administration, these additional resources would enable the VA to treat an additional 933 veterans in VA nursing homes, 264 in community nursing homes, and 959 in State Veterans' homes.

Education and Training

For geriatric education and training, an increase of $6.3 million and 18 FTEE is included.

FOOD AND DRUG ADMINISTRATION

The Program

The Food and Drug Administration (FDA) administers and enforces laws concerning dangerous, misbranded and adulterated foods, drugs, medical devices, cosmetics, and man-made sources of radiation. In FY 1988, program outlays are estimated at $452.8 in budget authority million (excluding funding for AIDS research).

Older Americans represent 12 percent of the Nation's population, yet they consume 32 percent of all prescription drugs.

This population's use of multiple prescription drugs, combined with the elderly's physiological response to these medications, makes them particularly vulnerable to adverse drug reactions. As a consequence, the FDA's regulatory and enforcement efforts have a vital role in helping to safeguard their health. Although the FDA recently has given increased attention to programs developed with the needs of the elderly in mind, the adequacy of its commitment has been questioned by aging advocates.

Administration's Proposed Fiscal Year 1989 Budget

The President's spending request for the FDA in fiscal 1989 is $468 million, approximately $16 million over the FY 1988 level of funding, according to the Administration. Additional funds would be used to expedite review and testing of new drugs and enhance development and marketing of orphan drugs (drugs of importance to a small number of persons), among other things.

INDIAN HEALTH SERVICE

The Program

The Indian Health Service (IHS) administers the principal Federal health programs for the approximately 1 million American Indian and Alaska Native people living on or near Federal Indian reservations or in traditional Indian country, such as Alaska and Oklahoma. Under the legislative authority of the Indian Health Care Improvement Act (P.L. 94-437), the IHS is charged with the responsibility of raising the health status of Indian and Alaska Native people to the highest possible level. Despite an FY 88 budget authority of $1.009 billion for the IHS, Indian people continue to suffer the lowest health status of all American citizens.

Administration's Proposed Fiscal Year 1989 Budget

The President's budget proposes a FY 1989 budget authority of $989.8 million, approximately $580 million under the level of funding required to maintain current services. In particular, the proposed cut would eliminate all funding for the construction of Indian health facilities.

Chapter 2 -- Income Security

SOCIAL SECURITY

The Program

Established in 1935, the Social Security program provides income for eligible workers and their families when the worker retires, becomes severely disabled, or dies. The benefits are funded through FICA (Federal Insurance Contributions Act), SECA (Self-Employed Contributions Act) payroll deductions, income taxes on benefit payments, certain transfers from general revenues, and interest on invested balances. The program consists of Old Age and Survivors Insurance (OASI) and Disability Insurance (DI), and eligibility is determined by the number of quarters a worker has contributed to the program.

Social Security is the largest Federal entitlement program, and accounts for approximately 20 percent of annual Federal spending. The program accounts for 55 percent of all Federal spending on the elderly. In October 1987, almost 38.2 million persons received Social Security benefits, and of those, 61 percent, or 23.4 million were retired workers. Disabled workers numbered 2.8 million and accounted for 7 percent of the total. Widows, widowers, surviving children, and other dependents made up the balance of the recipients. The average monthly benefit amount payable in October to retired workers was $491.75.

Administration's Proposed Fiscal Year 1989 Budget

Benefits

The President's fiscal year 1989 budget calls for no reduction in benefits for those receiving Social Security. The 1988 cost-of-living adjustment (COLA) of 4.2 percent is being paid with checks issued in January 1988 and the 1989 COLA will be given to reflect the 1989 inflation rate. Based on their projected inflation rate for 1988, the Administration assume a 4.2 percent COLA increase for 1989. CBO believes that the Administration's inflation rate is overly optimistic and believes it will be a slightly larger increase of 4.5 percent.

Administration & Staff Cuts

The Administration's Budget calls for cuts in full-time equivalent and overtime positions from the required floor of 70,000 in 1988 to 66,300 in fiscal year 1989. This is the result of the Administration's announced intention in 1985 to eliminate 17,000 staff positions. These cuts come when there will be greater demands on SSA due to the increasing aging population, the new Immigration and Tax Reform laws. (SSA has estimated that the two new laws alone will require an additional 2,500 work years).

The rationale for the staff cuts and accompanying closing of offices is that SSA is modernizing its computers and administrative procedures. However, the adequacy of SSA's computer modernization project has come under fire both from Congress and the General Accounting Office. SSA not only has been criticized for inadequate software development, but also for failing to adequately evaluate the impact of it's modernization project on service to the public.

Congress and aging advocacy organizations have raised many concerns about the effect of a deep staff cut on the quality of service provided to recipients. Indeed, a recent survey of SSA managers and supervisors revealed widesdpread dissatisfaction with the agency's downsizing process. Despite these concerns, SSA still has not developed and implemented quality standards which measures what constitutes adequate beneficiary service.

SUPPLEMENTAL SECURITY INCOME

The Program

The Supplemental Security Income Program (SSI), enacted in 1972, provides income to the Nation's low-income elderly, blind, and disabled, and is financed through general revenues. The program is administered by the Social Security Administration. Unlike Social Security, SSI recipients need not qualify for benefits with work quarters or payroll deductions. Beneficiaries are subject to a means test, that is, eligibility is based upon income levels and asset availability.

In many cases, SSI benefits supplement income from other sources, including Social Security benefits. The maximum benefit for SSI recipients in 1988 will be $354 per month for individuals and $532 per month for couples. States have the option of supplementing SSI benefits. Slightly more than 46 percent of all SSI recipients are 65 or older. The average monthly SSI check received by elderly beneficiaries in October 1987 was $180, while the averages for the blind ($295) and disabled ($283) were significantly higher. This discrepancy is probably due to the fact that many elderly SSI recipients qualify for some measure of Social Security benefits.

Administration's Proposed Fiscal Year 1989 Budget

The SSI program is administered by the Social Security Administration (SSA). The proposed budget would result in staff cuts of 5,000 in FY 89 in the Administration's continuing effort to cut at least 17,000 positions. These cuts would continue to increase the burden on SSA due to the increasing aging population and the new Immigration and Tax Reform laws. The Administration currently estimates a 4.2 percent cost-of-living increase for 1989, which would increase payments in that year to $369 and $554 for individuals and couples, respectively.

BLACK LUNG

The Programs

Income maintenance for disabled coal miners and their dependents is provided through two separate programs.

Black Lung Part B:

Black Lung Part B provides benefits to disabled coal miners and their dependents and survivors who filed claims before July 1973. Funds are appropriated from general revenues and administered by the Social Security Administration (SSA). Currently, nearly 300,000 annuitants and survivors, of whom approximately 188,000 are elderly, benefit from the program.

Black Lung Part C:

Black Lung Part C provides income and medical benefits to disabled coal miners and their dependents or survivors who filed claims after June 30, 1973, or who had failed to qualify earlier under Part B. Black Lung Part C is administered by the Department of Labor. It was enacted to shift the burden of compensation from the Federal Government to the coal industry. Under Part C, an effected coal miner leaving work prior to 1970 is eligible for Black Lung Disability Trust Fund benefits. Money for the Fund comes from an excise tax on coal.

Those retiring after 1969 are not eligible for Trust Fund benefits. Instead, the Labor Department attempts to identify the responsible employer. This employer is then liable for damages.

Administration's Proposed Fiscal Year 1989 Budget

While the President's FY 88 budget proposed several significant changes in the Black Lung program, the FY 89 submission calls for no major revisions.

Benefits in the Black Lung and Special Benefits for Disabled Coal Miners programs are indexed to changes in federal pay. According to the Administration, total Black Lung outlays for 1989 are expected to be $1.6 billion. Budget authority for the trust fund itself will be approximately $675 million -- $619.5 million for disabled coal miners and $55.5 million for administration.

The black lung disability trust fund is projected to have a deficit of $3.1 billion by the end of 1989. According to the Administration, this is because the excise tax paid by coal operators is insufficient to cover the cost of medical and income replacement benefits to the victims of black lung disease for which the operators are legally responsible. However, the current excise taxes, which were scheduled to expire, have been extended in order to slowly restore the health of the trust fund by the year 2014.

VETERANS: COMPENSATION AND PENSIONS

The Programs

Veterans' pensions are awarded on the basis of service, disability, and level of income. Pensioners receive annual Cost-of-Living Adjustments (COLAs) comparable to Social Security COLAs.

Compensation is paid to veterans for disabilities incurred in or aggravated during active military service. Death and Indemnity Compensation (DIC) is paid to survivors of service persons or veterans whose death occurred while on active duty or as a result of service-connected disabilities.

Administration's Proposed Fiscal Year 1988 Budget

Veteran's Administration:

Under the Administration's proposed FY89 budget, budget authority for Veterans benefits and services would be moderately increased. While in FY 88, budget authority and outlays were $29.3 and $28.7, respectively, the President's FY 89 budget proposes an increase to $30.2 billion in budget authority and $29.6 billion in outlays. This represents a slight increase in real terms.

Cost-of-Living Adjustments:

According to CBO, a $480 million supplemental appropriations will be required to cover the 1988 COLA for the compensation program. (This is due to the fact that the Administration decided not to includes supplemental appropriations requests in the original budget request).

Under current law, COLA increases must be legislated annually. Therefore, the Administration has proposed that the veterans compensation COLA be automatically linked to the CPI. They project a 4.2 percent COLA increase for FY88; in contrast, CBO projects a 4.5 percent COLA increase.

Home Loan Guarantee Program:

Loan recipients currently pay a standard fee of one percent of their loans. This law is scheduled to expire after September 30, 1989. CBO estimates that collection of these fees would offset the fund's outlays by $226 million in 1990 and $294 million by 1993.

According to CBO, the Loan Guaranty Revolving Fund will experience higher-than-anticipated costs during 1988. As a result, the mandatory veterans housing loan guarantee revloving fund will be deficient by approximately $877 million. The Administration does not propose any supplemental appropriations to alleviate this deficiency.

CIVIL SERVICE RETIREMENT

The Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS) are funded through a combination of payroll deductions and general revenues. Under current law, about 2.1 million retirees and survivors may expect to receive an estimated $29.3 billion in outlays under the two systems. Benefits are pegged to earnings history and years of service with the Government. Full CSRS retirement benefits may begin at age 55 for employees with 30 years of service. Under FERS, however, retirement age is scheduled to increase to 57. Benefits under CSRS are indexed to the Consumer Price Index, while FERS benefit indexation is subject to a modified CPI.

Administration's Proposed Fiscal Year 1989 Budget

The President proposes few changes in these Federal retirement programs. However, the Administration's FY89 budget does propose that the U.S. Postal Service pay its full share of costs for cost-of-living adjustments for Postal retirees. The Administration intends to propose legislation to require the Postal Service to make an annual COLA payment for all annuitants and survivors beginning in 1990. According to CBO, the Postal Service would increase postal rates to recover these added costs, resulting in net savings to the federal government.

RAILROAD RETIREMENT

The Program

Initially established in 1935, the Railroad Retirement System (RRS) is the only federally mandated and managed retirement system for employees of private industry, providing retirement income, disability income, and death benefits for railroad employees and their families. At the end of fiscal year 1987, the monthly benefits in current-payment status consisted of 330,700 age retirements, 83,100 disability retirements, 222,300 spouse and divorced spouse annuities, 266,000 aged widow(er)s, 37,500 other survivors, and 200,300 supplemental annuities. At the start of fiscal year 1988, benefits were being paid at a rate of about $6.6 billion a year.

RRS is integrated with Social Security through a financial interchange system intended to place the Social Security trust funds in the same position as they would have been had railroad employment been covered by SS directly.

RRS benefits consist of: (1) Tier I, which was originally designed to be comparable to Social Security, and is based both on railroad and non-railroad employment; (2) Tier II, which is based on only railroad employment; (3) a "dual" or "windfall" benefit for rail workers with vested rights in both RRS and Social Security before 1975 (this benefit is being phased out under the 1974 RRS restructuring); (4) a supplemental annuity for those meeting certain eligibility and age requirements (currently being phased out); and (5) lump-sum death benefits.

Benefits are financed through a combination of employee and employer payments to a trust fund, with the exception of "dual" benefits, which are paid for on a pay-as-you-go basis through general revenues from a special account, and supplemental annuities, which are funded from an employer tax on the railroad industry.

Administration's Proposed Fiscal Year 1989 Budget

The Administration's proposed budget would:

--**Privatize RRS Benefits**--Those benefits in addition to or in excess of Social Security equivalent benefits for RRS beneficiaries are proposed to be privatized in order to fully cover the rail sector under Social Security, free rail labor and management to bargain collectively for new benefit levels and mechanisms for a new funding arrangement, and require sound financing of pensions for new rail workers by placing rail pensions under the Employee Retirement Income Security Act.

--**Terminate the Railroad Unemployment Insurance System (RUI)**--This system would be merged with the Federal/State Unemployment Insurance System as part of the privatization initiative. (As of September 30, 1987, the RUI debt to the RRS Fund, with accrued interest, totaled $806.3 million.)

--**Cut "Dual" Benefit Payments**--Although not included in the original budget proposal, the Administration indicated that it will propose to continue through fiscal year 1989 the cut in "dual" benefit payment amounts necessitated by the fiscal year 1988 shortfall in appropriations for benefit payments. The 1988 cut will be 5.3 percent and will start with the April 1988 payment. On a 12-month basis, the cut would be 2.65 percent.

--**Further Reduce "Dual" Benefit Appropriations**--Appropriations from general revenues for payment of "dual" benefits would be further reduced to $47.2 million from their FY 87 level of $352.3 million. The estimated $261 million in income taxes to be paid on FY 89 Tier II benefits and on Tier I benefits in excess of the Social Security benefit equivalent would be diverted from the RRS account to cover the reduction. The Administration also proposes changing the name of the "Dual Benefits Payment Account" to "Federal Windfall Subsidy."

MILITARY RETIREMENT

Approximately 1.6 million military retirees and their beneficiaries will receive an estimated $20.3 billion in annuity pay during 1989. Only about 20 percent of these participants will be elderly because military personnel qualify for retirement after 20 years of service, regardless of age.

Administration's Proposed Fiscal Year 1989 Budget

The Military Retirement program, like the Civil Service Retirement System, can only be subjected to cuts in the COLA. For FY89 however, no COLA limitations are proposed for military retirement. Military pensions will continue to be fully indexed, regardless of the rate of inflation, and, again, those 62 or over will receive social security for their military service, also fully indexed.

PENSION BENEFITS GUARANTY CORPORATION

The Program

The Pension Benefits Guaranty Corporation (PBGC) is a wholly owned Government corporation. Operating under the Department of Labor, this entity administers programs of mandatory termination insurance to prevent loss of pension benefits under covered private, defined benefit pension plans if plans terminate or if multi-employer plans are unable to pay benefits. Terminated plans are taken over by the Corporation. The Corporation assumes control of their assets, administers them in a trust fund held in a private bank, and takes responsibility for paying benefits. The Corporation also provides repayable assistance to insolvent multi-employer plans when necessary to pay benefits and to forestall termination and subsequent Corporation responsibility to pay benefits. All benefits paid through PBGC's insurance program are funded exclusively through employer-paid premiums.

The PBGC has experienced severe financing troubles in recent years. These problems resulted in two successive increases in the insurance premium charged to employers. The first increase, effective in 1986, raised the premium from $2.60 to $8.50 per plan participant. The second increase, enacted in 1987, provides that beginning in 1988, firms will be required to pay a premium ranging from $16 to $50 per employee. While the vast majority of plan sponsors will pay the minimum $16 fee, companies with unfunded plan liabilities will be required to pay an additional $6 per employee for each $1000 of underfunding.

Administration's Proposed Fiscal Year 1989 Budget

The Administration proposes no major changes in the PBGC for FY 89. Howewever, activity is expected that will affect the ability of companies to withdraw excess assets from pension plans.

The Administration has sought to make it easier for companies to withdraw surplus money from pension funds and use it for their own benefit. The Administration argues that this would mitigate or avoid potential losses incurred by plan participants and the PBGC. However, labor unions, consumer groups and organizations representing older persons strongly believe that pension plans would be weakened by any change permitting employers to withdraw money for their own purposes and actually put new burdens on the PBGC in the future if companies experience economic difficulties.

FOOD STAMPS

The Program

The Food Stamp program was initiated in 1964 to alleviate hunger and malnutrition among low income persons. Eligible households receive monthly allotments of stamps, based on income and household size, to finance food purchases. The level of benefits is based on USDA's Thrifty Food Plan which estimates how much it would cost a household that shops economically to meet its nutritional needs. A household is eligible for food stamps to the extent that 30 percent of household income falls below the applicable Thrifty Food Plan level. In FY 1988 the maximum food stamp benefit to a one person household is $87 and for a two person household the maximum was $159 a month. The plan is adjusted upward annually for changes in the cost-of-living.

The Federal Government bears the cost of all food stamp benefits and shares with the States and localities 50 percent of most administrative costs. The Food and Nutrition Service of the Department of Agriculture is responsible for administering and supervising the Food Stamp Program and for developing program policies and regulations. At the State and local levels the Food Stamp Program is administered by State welfare departments.

Administration's Proposed Fiscal Year 1988 Budget

The Administration's FY89 budget for the Food Stamp program and Puerto Rico's nutrition assistance program proposes to hold Federal costs to $12.7 billion, approximately the current law level. The President's budget differs from past submissions in that no major changes in the Food Stamp program have been proposed.

FOOD PROGRAMS

The Program

The Department of Agriculture (USDA) administers two food programs that benefit senior citizens. The Nutrition Program for the Elderly (NPE), a part of USDA's Food Donation's Programs, is authorized under the Older Americans Act to help meet the nutritional needs of the elderly. This program works with the Department of Health and Human Services to provide commodities and cash to senior centers and other locations where congregate meals are served. In 1987, appropriations helped serve over 227 million meals.

A second important feeding program for the elderly is part of the Commodity Suplemental Food Program (CSFP). When first originated, the Elderly Feeding Pilot Project (EFPP) consisted of centers in three different cities. However, this program now consists of elderly feeding projects in a series of 11 states, each providing direct distribution of USDA surplus commodities to low-income persons 60 years of age and older.

The Congress appropriated $4.9 million for the operation of this program in FY 87 and more than doubled appropriations to $12.53 million in FY 88. While the elderly feeding projects are financed through the CSFP, some funds are provided to the local centers through the Temporary Emergency Food Assistance Program (TEFAP). TEFAP provides funds to States to be used to transport, store, and distribute these Commodity Credit Corporation-donated foods for needy individuals.

Administration's Proposed Fiscal Year 1989 Budget

Nutrition Program for the Elderly

The Administration's proposed Fiscal Year 1989 budget for the Nutrition Program for the Elderly calls for a slight funding increase. Under the Administration's budget, funding for the NPE would increase by $3.3 million over the FY 88 level to $141.3 million for FY 89.

Commodity Supplemental Food Program

The elderly feeding projects under the CSFP have significantly expanded the number of approved individuals since their inception. The Administration is requesting $12.36 million for FY 89 to cover the current caseload of nearly 80,000 per month. While this represents a slight reduction from the FY 88 level, according to the Department of Agriculture some carry-over funds will also be available. In any case, the FY 89 request appears adequate to cover those currently participating in the program.

Temporary Emergency Food Assistance Program

A provision in the Stewart B. McKinney Homeless Assistance Act (P.L. 100-77) continued the authorization of TEFAP through September 30, 1988. The Administration proposes no further funding of TEFAP in FY 89.

There is no formal connection between TEFAP and CSFP. However, because of the relationship between the two programs in some localities, it is clear that some elderly CSFP program participants could be adversely affected should TEFAP be eliminated.

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

The Program

Since its inception in 1980, the Low Income Home Energy Assistance Program (LIHEAP) has funded block grants to States to help low-income households pay their heating and cooling bills, weatherize their homes and assist with energy crisis needs. The program served approximately 6.7 million households in 1987, of which about 40 percent contained an elderly member -- who may be highly vulnerable to hypothermia or heat stroke. Less than 39 percent of those who are eligible for benefits actually receive them.

Administration's Proposed Fiscal Year 1989 Budget

LIHEAP Funding

The Administration requests $1.2 billion in 1989 outlays for LIHEAP, $345 million below the amount provided for 1988 and in addition to the $600 million in cuts since 1985. For future years, projected appropriation requests would remain at $1.2 billion, which could produce further outlay savings amounting to $2.6 billion for the projection period. The rationale given for the reduced appropriation request is that States have and will continue to receive oil overcharge settlement revenues which can be used for this program. According to CBO, the States have received $3.3 billion in settlements to date, and approximately another $1.3 billion more may become available in smaller distributions over the next five or six years.

While it may appear that the total allocations to the states from these settlements should be sufficient to cover the reductions in federal funds for home energy assistance, this is misleading. First, although States may use the funds for LIHEAP and other energy related programs, less than 20 percent has been allocated to LIHEAP. Many states have spent a larger amount on weatherization programs than LIHEAP, arguing that it is a more permanent investment. Second, the distribution formula set by the courts favors the southwestern states which have a lesser need for heating assistance than northern tier states. Last, the many aging advocates argue that these funds were intended by the courts to be used in addition to, not instead of, existing federal funding.

Chapter 3 -- Housing

HOUSING AND URBAN DEVELOPMENT

The Programs

The Department of Housing and Urban Development (HUD) administers several housing programs that benefit the elderly. One of the most well-known HUD programs, **Section 202**, provides direct loans to non-profit organizations for the construction of new housing projects or major rehabilitation of existing housing projects designed specifically for low-income elderly and handicapped persons. Those residing in Section 202 housing are also eligible for Section 8 housing assistance, which pays for the difference between the established rent and the tenant's required contribution toward that rent, which is 30 percent of the tenant's adjusted income. According to HUD, at the beginning of fiscal year 1988, roughly 153,000 Section 202 units had been constructed. **Approximately 90 percent of those living in Section 202 housing are elderly.**

The **Congregate Housing Services Program** (CHSP) is a HUD program that provides supportive services such as meals, housekeeping and transportation to eligible elderly residents of Section 202 or public housing projects. Under CHSP, HUD contracts with local public housing authorities or non-profit organizations to provide these supportive services on the premise that their appropriate use of can help frail elderly and handicapped persons avoid premature institutionalization. Begun in 1979 as a demonstration project, it was given permanent status in the Housing and Community Development Act of 1987 (Public Law 100-242). CHSP now serves over 2,000 elderly persons in 61 projects.

The oldest federal program providing housing for the elderly is the **Low Rent Public Housing** program. It provides direct federal loans to finance the construction, acquisition, and modernization of public and Indian rental housing. Public housing provides more than 550,000 units of housing for older Americans, which represents about 40 percent of all public housing units. The elderly comprise about 6.5 percent of those living in Indian housing.

Under the **Community Development Block Grants** (CDBG) program, HUD makes grants to local governments and states to fund various local community development projects to help low- and moderate-income households. The elderly receive a wide range of benefits from this program. A 1982 Government Accounting Office survey indicated that a large proportion of the housing rehabilitation financed under CDBG is used to repair and weatherize homes owned by low- and moderate-income elderly. Other CDBG activities that benefit the elderly include social services, improvements in neighborhood facilities, such as senior centers, and the removal of architectural barriers.

The Section 8 housing assistance program, created in 1974, is a rent subsidy program to provide that assistance be made available for low- and very low-income families. Originally, there were three parts to the program: existing housing, new construction and substantial rehabilitation. In 1978, Section 8 moderate rehabilitation was created to stimulate the upgrading of lower-income housing which needs some repair work, but not substantial rehabilitation. Since 1983, however, the only new Section 8 construction or substantial rehabilitation has been in conjunction with the Section 202 program.

Under Section 8, HUD enters into 15-20 year contracts with owners of existing or moderately rehabilitated housing, or new or substantially rehabilitated housing (under Section 202 only) to provide a subsidy equal to the amount between 30 percent of the adjusted income of qualified participants and the fair market rent for the dwelling. Section 8 provides more units of assisted low-income housing than any other Federal program -- approximately 2 million units. Nearly 50 percent, or about 950,000 units, are occupied by older persons.

The Section 8 housing voucher program, created in 1983, is the cornerstone of the Reagan administration's housing assistance program. The primary difference between Section 8 vouchers and Section 8 certificates is the absence of absolute limits on rent. Under the voucher program, the voucher holder generally receives an assistance payment equal to the difference between a payment standard (generally equal to the the fair market rent) and 30 percent of the tenant's adjusted income, regardless of the unit's actual rent. Therefore, tenants finding a unit exceeding the payment standard must make up the difference out of their own pockets. However, if the rent is less than the payment standard, the tenant keeps the difference. Vouchers also differ from Section 8 certificates in that the contract is 5 years in length, compared to 15-20 years for certificates.

Administration's Proposed Fiscal Year 1989 Budget

The President's proposed FY 1989 HUD budget of $13.6 billion is a decrease of nearly 12 percent over the $15.4 billion FY 1988 budget. Assisted housing would be cut by over 10 percent -- from a budget authority of $8.4 billion in FY 1988 to $6.9 billion in FY 1989. Virtually all new construction would be eliminated, and funding for the modernization of existing public housing housing would be substantially reduced, and Section 8 moderate rehabilitation would be eliminated. The President would replace these programs with rental vouchers, emphasizing the use of privately-held existing housing. Specific proposals include:

Section 202: For FY 1988, Congress set a loan limitation of $565.8 million to finance the construction of 10,990 units, with no less than 25 percent of the loan authority to be set aside for the handicapped. The President's budget sets a loan limitation of $350 million to finance the construction of 7,000 new units -- a reduction of 38.1 percent over FY 1988. While the President's budget maintains the 25 percent handicapped set-aside, it targets a portion of that funding (HUD estimates about $50 million, or roughly 60 percent of the set-aside amount) for housing for the chronically mentally ill, homeless, handicapped.

CHSP: The FY 1988 appropriation for this program is $4.2 million. The Administration requests no additional funding for CHSP, as it has every year since FY 1982. The budget proposal would use the FY 1988 appropriation and $3.2 million in carryover balances to extend existing contracts during 1988 and 1989.

Public Housing: For FY 1988, available funds for public housing include: $561.7 million for the development/reconstruction of approximately 6,100 public housing units and 2,000 Indian housing units; $1.728 billion for modernization; and $1.515 billion for operating subsidies. The President's FY 1989 budget would eliminate all new construction, except $71.8 million for 1,000 Indian units. The modernization budget would be cut to $1.0 billion, and the amount for operating subsidies would be increased slightly to $1.517 billion.

CDBG: The FY 1988 appropriation for CDBG is $2.88 billion. The President's budget requests $2.625 billion for this program, a reduction of $23 million, or almost 8 percent.

Section 8: The estimated total FY 1988 funding level for Section 8 is $6.034 billion, which includes: $854 million for existing units (10,0[illegible] units); $532 million for moderate rehabilitation (5,000 units); $1.712 billion for Section 202 (11,373 units); and $1.311 billion for vouchers (53,940 units). The President's FY 1989 budget would reduce funding for Section 8 by $278 million to $5.756 billion. His proposal would eliminate Section 8 existing and moderate rehabilitation, and reduce Section 202/8 to $1.097 billion, or 7,000 units. These programs would be replaced with 100,000 vouchers, at a cost of $3.032 billion.

The first of the 15-year Section 8 contracts that were established in 1974 will begin to expire in 1989. The President's budget proposal would replace these expired contracts, including those previously linked with Section 202 sites, with 5-year vouchers. In FY 1989, only 1,437 units are involved, although this number will increase to 256,133 units in FY 1991.

FARMER'S HOME ADMINISTRATION

The Programs

The Housing Act of 1949 authorized the Farmer's Home Administration (FmHA), administered by the Department of Agriculture, to make loans and grants to farm owners to construct or repair farm dwellings and other buildings. Amendments to the Act made the programs available to rural residents in general to purchase or repair homes and for other purposes. The rural housing programs of FmHA are generally referred to by the section number under which they were authorized in the Housing Act of 1949 and its subsequent amendments. About one-third of the elderly live in rural areas, where a higher proportion of the population is poor and living in substandard housing. There are several FmHA programs of importance to the rural elderly.

The **Section 502** program provides loans to enable low-income rural residents to purchase or repair new or existing single-family housing. The homes must be modest in cost and design, and borrowers must be unable to obtain credit elsewhere on reasonable terms. The interest rate may be as low as 1 percent, and the loans are repayable over a 33-year period, although the loan term may be 38 years for borrowers with income below 60 percent of the area median.

Section 504 loans, grants, or combinations of loans and grants are made to rural homeowners who cannot afford a Section 502 loan but who need funds to make the dwellings safe and sanitary or to remove health hazards. Loans are made at an interest rate of 1 percent and are repayable in 20 years of less, and are available only to very low-income homeowners. Very low-income elderly homeowners may qualify for grants or some combination of loans and grants.

Under **Section 515**, developers may obtain 50-year, 1 percent loans to build rental housing for rural residents or congregate housing for the elderly and handicapped. Except for public bodies, all borrowers must demonstrate that financial assistance from other sources will not enable the borrower to provide the housing at terms that are affordable to the target population. Originally authorized to serve only elderly tenants, the program has been expanded to provide housing to rural residents of all ages. Approximately 47 percent of the more than 300,000 units are occupied by older persons.

Section 521 provides for rental assistance payments to borrowers, to make up the difference between the tenants' payments and the FmHA-approved rents for the housing (financed under Section 514 or Section 515). Borrowers must agree to operate the property on a limited profit or non-profit basis. The term of the rental assistance agreement is 20 years for new construction projects and 5 years for existing projects.

Over the past several years, the Administration has tried, with limited success, to dismantle most of the FmHA housing programs. They contend that FmHA plays a minor role in providing housing assistance to rural areas and that the housing needs of rural communities will continue to be served Opponents argue that the existing FmHA programs were not created in a vacuum but were the result of congressional response to perceived needs and that those needs continue to be unmet for many low-income rural residents. Housing vouchers, for example, will not enable low-income rural homeowners to improve their water and sewer systems.

Administration's Proposed Fiscal Year 1989 Budget

The President's budget proposal would cut FmHA programs from $2.178 billion in FY 1988 to only $382 million in FY 1989, a reduction of 82.5 percent. All forms of FmHA housing assistance would be eliminated and replaced with 21,200 vouchers.

Section 502: The FY 1988 appropriation is $1.23 billion.

Section 504: The FY 1988 appropriation is $11.3 million for loans, and 12.5 million for grants to the very low-income elderly for essential repairs.

Section 515: The FY 1988 appropriation is $554.9 million.

Section 521: The FY 1988 appropriation is $275 million.

SUMMARY

Some of the Reagan Administration's deepest cuts in domestic spending have been directed at housing programs. Budget authorizations for housing accounted for 7 percent of the Federal budget in 1978 -- they now account for only 0.7 percent. HUD-assisted housing programs, which were appropriated over $30 billion in FY 1981, have a funding level of slightly ~~more~~ than $8.42 billion in FY 1988 -- a reduction of over 70 percent. FmHA rural housing programs have been cut by over half. For FY 1989, as in the past, the President proposes to eliminate almost all programs that build, rehabilitate, or modernize housing for low- and moderate-income Americans, and replace them with vouchers. Last year, Congress flatly rejected the President's proposals, and formulated a housing program comprised of a mix of vouchers, public and Indian housing, Section 202 housing, Section 8 rent subsidies and FmHA rural housing development.

Overall, the President's budget proposal would reduce funding for HUD by 12 percent -- from $15.4 billion in FY 1988 to $13.6 in FY 1989. The FY 1989 budget for HUD-assisted housing would be cut by 18 percent, from $8.39 billion to $6.89 billion. FmHA programs would be cut by over 80 percent, and all programs would be replaced with vouchers. The President requests the construction of only 8,000 new units. The remainder of the HUD-assisted housing budget provides for 100,000 free-standing vouchers, for a total of 108,000 incremental units. The 1987 continuing resolution (Public Law 100-202) provides for 77,905 incremental units, although only about 45,000 are represented by vouchers.

The full impact of the Reagan administration's housing policies will not be felt until several years from now. Because approved funding of these programs is scheduled to be spent over a long period of time -- 20, 30, or even 40 years -- cuts in budget authority are slow to result in reductions in outlays or actual spending. Thus, in spite of substantial reductions in budget authority, outlays on assisted housing programs increased from $5.75 billion in fiscal year 1981 to an estimated $9.5 billion in fiscal year 1987.

Many housing advocates contend a serious housing crisis is on the horizon, and that the time has come for a reassertion of congressional commitment to providing safe and affordable housing to Americans of all ages, including the elderly. They believe it is vital that Congress not only reject the President's proposed cuts in housing programs as it has done in the past, but also work to formulate a Federal housing policy that will ensure that the shelter needs of all Americans are being met.

HOME WEATHERIZATION

The Program

As a result of rising fuel costs in the early 1970's, Congress enacted the Department of Energy Home Weatherization program in 1976. This program is designed to provide persons with incomes 125 percent of the poverty line and below with assistance in improving the energy efficiency of their homes. That figure, however, is a ceiling, and individual states may elect to make the income eligibility requirements more stringent. In FY 1988, as in FY 1987, approximately $161 million will go to state and local governments to provide weatherization assistance. Similar to the Low Income Home Energy Assistance Program discussed earlier, this program gives priority to elderly and handicapped households.

Administration's Proposed Fiscal Year 1988 Budget

The President repeats last year's request for no new funding for this program. However, as the program has a slow spendout rate, the President's request, if honored by Congress, will not abruptly end the Weatherization program. The Administration takes the position that responsibility for providing these services rests with the States, and expects funds made available to States through settlement of petroleum pricing violation cases to pay for State weatherization programs.

Chapter 4.--Services

OLDER AMERICANS ACT PROGRAMS

The Programs

Older Americans Act (OAA) programs are funded through the Administration on Aging, which is located within the Office of Human Development Services of the Department of Health and Human Services (DHHS). OAA programs include, among others, transportation, outreach, congregate and home-delivered meals, adult day care, legal services, telephone reassurance, and long-term care (nursing home) ombudsman programs. Seniors depend on these and other OAA programs for a variety of essential services, many of which help maintain them in their homes and avoid unnecessary institutionalization. An estimated 9 million seniors will participate in OAA programs in 1988, and of those, 4 million will be low income participants. Congress appropriated a total of $1.2 billion for all OAA programs in fiscal 1988.

Administration's Proposed Fiscal Year 1989 Budget

For fiscal 1989, the President's budget requests an appropriation of $725.4 million for the Older Americans Act Programs administered by the Administration on Aging within DHHS. The remainder of the OAA programs are administered by the Department of Labor and the Department of Agriculture. This is essentially the same funding level as for FY 1988. The total includes Title IV funding for training, research and demonstration projects. Title IV funding is actually part of a $76.7 million generic request for human services research, training and demonstration programs, but the budget request indicates that about $24 million would be allocated for Title IV.

The budget proposal states that meals are expected to remain a priority for States in 1989. Although the budget request does not increase funding over the FY 1988 level, it asserts that if the States allocate the same proportion for meals as previously, an increase of approximately 4 million meals over the 1988 level is expected. The proposal anticipates that the increase in meals will be due to fiscal and management improvements in the program and expected increases in voluntary contributions from participants.

TRANSPORTATION

The Programs

Under Section 16(b)(2) of the Urban Transportation Act, the Urban Mass Transportation Administration (UMTA) provides assistance to States for the transportation of the elderly and handicapped. States apportion the money to a variety of private non-profit organizations which use it to purchase equipment such as vans and small buses with wheelchair lifts. Approximately 1000 organizations receive aid from these funds in any one year. Roughly 3.8 million elderly and handicapped passengers are served by the program each year.

In addition, two other UMTA programs provide grants for public transportation services highly utilized by senior citizens. The Section 18 program provides funds for public transportation services in rural areas. While an average of 12 percent of persons living in these areas are elderly, it is estimated that as much as 50 percent of the ridership in some of the over 1,000 local programs is elderly. As a counterpart to Section 18, the Section 9 program provides grants for local public transportation systems operating in urban areas. The percentage of elderly riders varies, but is generally much higher than the ratio of elderly to the population as a whole in a given urban area.

The Surface Transportation and Uniform Relocation Assistance Act of 1987 reauthorized UMTA for five years. Of the authorizations for discretionary grants programs, $35 million was authorized for each year for the elderly and handicapped and innovative research programs.

Administration's Proposed Fiscal Year 1989 Budget

For 1989, the President once again, as in 1988, requests major reductions in overall Urban Mass Transit Administration programs from $3.3 billion to $1.5 billion. The President's underlying policy in the development of the UMTA budget is that greater funding at the local level and greater participation by the private sector can and will reduce public costs of the mass transportation needs of American citizens.

The major exception in the President's 1989 proposed reductions was in the Section 16(b)(2) program. The President proposed essentially the same level of funding for this program as for FY 1988, $35 million, the amount allowed in authorizing legislation.

Although the President proposed funding the Section 16(b)(2) program to provide elderly and handicapped transportation at the same levels in fiscal 1988, seniors would be hurt by his plan to reduce overall UMTA funding by more than one-half. Deep proposed cuts to both urban and rural transportation systems will decrease the mobility of elderly and lessen their ability to remain independent.

LEGAL SERVICES

The Program

The Legal Services Corporation (LSC), a nonprofit corporation, funds local legal aid projects. In turn, the local projects provide free legal services in civil matters to persons meeting poverty guidelines. Approximately 12.3 percent of all Legal Services clients are persons age 60 and over, who receive legal assistance in areas such as government benefits, consumer problems, guardianships, involuntary commitments to an institution, and landlord-tenant disputes.

LSC will receive $305.5 million in Federal outlays for fiscal 1988. Local legal aid offices receive approximately 88 percent of their funding from the Federal Government. Although most comes from LSC grants, offices receive some funds from other sources such as Older Americans Act, Community Services Block Grants, and Title XX monies. The balance of funds come from State and local governments and private sources.

Administration's Proposed Fiscal Year 1989 Budget

Although the President is requesting a reduction of $50 million from the $305.5 million FY 1988 funding level for LSC, this is the first time since taking office in 1981 that the President has requested any federal funds for LSC activities.

OLDER AMERICANS VOLUNTEER PROGRAMS

The Programs

ACTION, an independent agency established in 1971, administers and coordinates a variety of volunteer programs designed to reduce poverty, help the physically and mentally disabled, and serve local communities in other ways. The Older Americans Volunteer Programs (OAVP), administered by ACTION, are particularly important to older persons. These three programs, listed below, unite the time and energy of mature, experienced, and skilled volunteers with unmet community and individual needs. Special emphasis is placed on serving the frail and isolated elderly, and young people who are emotionally, mentally or physically disabled. OAVP projects are locally sponsored and administrated. The FY 1988 appropriation for OAVP was $111.1 million.

A. RETIRED SENIOR VOLUNTEER PROGRAM

The Retired Senior Volunteer Program (RSVP) was first authorized in 1969 under the Older Americans Act. RSVP provides volunteer opportunities for persons age 60 and over in areas such as youth counseling, shelter and food projects for the homeless, literacy enhancement, long-term care, crime prevention, refugee assistance, and housing rehabilitation. Volunteers receive no hourly stipend, but can be reimbursed for out-of-pocket expenses incurred as a result of volunteer activities. In FY 1988, RSVP was appropriated funding to provide for approximately 400,000 volunteers.

B. FOSTER GRANDPARENTS PROGRAM

The Foster Grandparents Program (FGP), originating in 1965, provides part-time volunteer opportunities for low-income persons age 60 and over. Foster Grandparents provide supportive, person-to-person services to children with physical, mental, emotional or social disabilities. Participants are placed with nonprofit sponsoring agencies such as schools, hospitals, day care centers, and institutions for handicapped children. Volunteers serve 20 hours per week and provide care on a one-to-one basis to three or four children.

Volunteers receive an hourly stipend, transportation assistance, an annual physical examination, insurance benefits, and meals while serving as volunteers. Volunteers must meet income guidelines to qualify for this program and benefits are not taxed. As a result of amendments to the 1986 ACTION reauthorization bill, older persons who are not income-eligible may now serve without the stipend but still receive the other benefits. In FY 1988, Congress appropriated funds sufficient to support 17,600 Foster Grandparents service years of 21,120 FGP volunteers.

C. THE SENIOR COMPANION PROGRAM

The Senior Companion Program (SCP) was instituted in 1973. Senior Companions are low-income persons age 60 and over who provide personal assistance and companionship primarily to older adults. These older adults have physical, mental, or emotional impairments which put them at risk of institutionalization or who could not be deinstitutinalized without the aid of the Senior Companion. Volunteers must meet the same income qualifications and receive the same benefits as FGP volunteers. Non-eligible older persons may serve without the stipend, as a result of amendments to the 1986 ACTION reauthorization bill, but receive the other benefits. In FY 1988, SCP was appropriated funds sufficient to support 7,000 Companion service years or 8,400 SCP volunteers.

Administration's Proposed Fiscal Year 1988 Budget

For Older American Volunteer Programs, the President's budget requests budget authority of $113 million, an increase of approximately $2 million from the FY 1988 level.

--RSVP.--$31.2 million. The President projects that 425,400 volunteers could be supported at this level.

--FGP.--$58.6 million. The President projects 18,000 Foster Grandparents service years could be supported at this level. This would be an increase of approximately 500 volunteers.

--SCP.--$23.1 million. The President projects 7,000 Senior Companions service years could be supported at this level, the same level as in FY 1988.

COMMUNITY SERVICES EMPLOYMENT FOR OLDER AMERICANS

The Program

Community Services Employment for Older Americans was established by Title V of the Older Americans Act and is administered by the Department of Labor's Employment and Training Administration. This program provides part-time work experience to unemployed, low-income persons age 55 and over through contracts with seven national service organizations and the U.S. Forest Service, and through grants to the states. FY 1988 appropriations for this program were $331.3 million. This will support 64,810 positions and a total of 89,000 participants.

Administration's Proposed Fiscal Year 1989 Budget

The President requests funding of $336 million in FY 1989 up more than $4 million from the FY 1988 level.

The President projects that this appropriation would support 65,700 positions and a total of 99,000 participants during FY 1989 because many enrollees are later placed in private sector jobs.

JOB TRAINING PARTNERSHIP ACT

The Programs

The Job Training and Partnership Act (JTPA), a state-administered program, authorizes a wide range of training activities to prepare disadvantaged persons for unsubsidized employment. The total fiscal 1988 appropriation for JTPA programs is $3.8 billion. The largest single program under JTPA is the Title II-A program of training for economically disadvantaged adults and youth, which was funded in FY 1988 at $1.8 billion, serving approximately 1 million participants. Three percent of the Title II-A JTPA funds of each State's allotment are set aside to be made available for the training and placement of older individuals, age 55 and over, in employment opportunities with private business concerns. The set aside for the 1987-88 program year is $54.2 million.

Title III of JTPA authorizes a state-administered dislocated worker program which provides training and related employment assistance. Approximately eight percent of those individuals who have gone through the program were 55 years of age or older. Title III was funded at $287.2 million in FY 1988.

The Stewart B. McKinney Homeless Assistance Act of 1987 authorized $10 million for FY 1988 for job training demonstration grants for the homeless under the federally administered JPTA programs. Between 15-20 percent of the homeless are 60 years and over.

It is intended that these programs coordinate with the Older Americans Act Community Service Employment Program when necessary.

Administration's Proposed Fiscal Year 1989 Budget

The President's fiscal 1989 budget includes $3.4 billion for programs currently authorized by the JTPA, a decrease of about 9 percent from the FY 1988 level of $3.8 billion. The JTPA Title II-A block grants to states for training for the economically disadvantaged would receive the same funding as in FY 1988--$1.8 billion.

The President's proposal would eliminate the JTPA Title III state grants for dislocated workers with no funding request and replace it with a new consolidated worker readjustment program. This new program, which would allow States and local areas to use a variety of new approaches to encourage workers to move on more quickly to new careers, could assist any dislocated worker, without regard to the reason for the unemployment. Total budget authority of $980 million is requested in FY 1989. Approximately 700,000 workers are expected to enroll in the new program each year when it is fully operational.

The President would eliminate the federally administered JPTA homeless program with no funding. This program was funded for the first time in FY 1988 at $9.6 million.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

The Program

The Equal Employment Opportunity Commission (EEOC) enforces various laws which prohibit employment discrimination based on factors such as race, religion, or sex. The EEOC enforces the Age Discrimination in Employment Act (ADEA), an anti-discrimination law of particular importance to older individuals. This act prohibits age-based discrimination against workers age 40 and over. The 1986 amendments to ADEA removed the age 70 cap, which had been in place previously with certain exceptions. In 1987, older Americans filed nearly 17,000 claims involving age and equal pay discrimination charges with the Commission and increases are expected in the future.

Administration's Proposed Fiscal Year 1989 Budget

The President's budget request increases funding for the EEOC by nearly $15 million. The EEOC budget authority is $179.8 million for FY 1988, the proposed increase would bring the FY 1989 level to $194.6 million.

SOCIAL SERVICES BLOCK GRANTS

The Program

States receive Social Services Block Grants (SSBG) under Title XX of the Social Security Act, to provide services to low-income persons, including recipients of AFDC, SSI, and Medicaid Program funds. Services include programs designed to: prevent, reduce, or eliminate dependency on Federal assistance; assist low-income persons to achieve or maintain self-sufficiency; prevent neglect and abuse; prevent or reduce inappropriate institutional care; and secure admission or referral to institutional care when other forms of care are not appropriate. Of particular importance to older persons are such SSBG funded services such as adult day care, homemaker and chore services, and adult protective services. States receive grants based on population size. In fiscal 1988, Congress appropriated $2.7 billion to the program plus a one-time $50 million increase for a total of $2.75 billion.

State governments' estimates of the proportion of SSBG funds used to provide services to older persons range from less than 1 percent up to 50 percent, with an average of 18 percent. This percentage has declined from over 21 percent in 1981. A major reason for this decline has been the lack of increased funding to make up for the 20 percent cut in Title XX in 1981. Title XX, which was first authorized at $2.5 billion in 1976, is now funded at $2.7 billion. When inflation is factored in, funding for its key services are almost half of what it was a decade ago. This has unfortunately resulted in reductions in programs benefiting the elderly because of decisions to fund needed services for other populations, e.g. day care services and homemaker training.

Administration's Proposed Fiscal Year 1989 Budget

The President's request for FY 1989 would freeze the Social Services Block Grant at $2.7 billion, the same level as FY 1987 and FY 1988 funding levels.

COMMUNITY SERVICES BLOCK GRANTS

The Program

Community Services Block Grants (CSBG) are provided to States for funding services and activities designed to reduce poverty and promote community development. Some CSBG funds are used to provide services to senior citizens such as job training and referral for the elderly, home ownership counseling, low-cost housing construction, transportation, senior center programs, energy and weatherization assistance, and clothing, food and shelter.

For FYs 1984-1987, the President attempted elimination of the CSBG program, requesting only phase-out appropriations. The Administration considered the program duplicative and would use SSBG funds to address the needs now met with CSBG. The requests assumed that the SSBG program would fill gaps in services caused by the cancellation, even though the budget proposals did not submit requests for increased funds to SSBG's to cover the additional duties.

The President did not propose elimination of CSBG in his FY 1988 budget proposal but requested $310 million, a $62 million cut from the FY 1987 $372 million budget.

Administration's Proposed Fiscal Year 1989 Budget

For FY 1989, the President is again proposing a four-year phase out of the CSBG, beginning with a $44 million cut in the $326 million basic block grant, a $7 million reduction in the $35 million discretionary activities grants, and elimination of CSBG homeless services and the Community Food and Nutrition programs. The total FY 1989 requested level is $310 million, a $72 million reduction from the FY 1988 $382 million budget. This would clearly reduce the CSBG services upon which many senior citizens depend, especially those low income elderly.

COMMITTEE VOTES

Votes taken during Committee consideration of the concurrent resolution on the budget were as follows:

MARCH 30, 1988

(1) The CHAIRMAN'S motion to take up the Chairman's mark as original text for the purpose of amendment.

Motion agreed to: 18 Yeas 3 Nays

Yeas:	Nays:	Not voting:
Chiles	Exon	Hollings
Sasser	Conrad	Johnston
Riegle	Grassley	Simon
Lautenberg		
Sanford		
Wirth		
Fowler		
Dodd		
Domenici		
Armstrong		
Kassebaum		
Boschwitz		
Symms		
Kasten		
Quayle		
Danforth		
Nickles		
Rudman		

(2) CONRAD motion to amend the Chairman's mark so as to increase functions 450 and 500. The motion would offset the increases in these functions by decreasing function 250.

Motion not agreed to: 7 Yeas 14 Nays

Yeas:
Sasser
Exon
Wirth
Conrad
Dodd
Boschwitz
Grassley

Nays:
Chiles
Riegle
Lautenberg
Sanford
Fowler
Domenici
Armstrong
Kassebaum
Symms
Kasten
Quayle
Danforth
Nickles
Rudman

Not voting:
Hollings
Johnston
Simon

(3) EXON motion to adopt the economic and technical assumptions of the Congressional Budget Office.

Motion not agreed to: 4 Yeas 17 Nays

Yeas:
Exon
Wirth
Conrad
Grassley

Nays:
Chiles
Sasser
Riegle
Lautenberg
Sanford
Fowler
Dodd
Domenici
Armstrong
Kassenbaum
Boschwitz
Symms
Kasten
Quayle
Danforth
Nickles
Rudman

Not voting:
Hollings
Johnston
Simon

(4) DOMNENICI motion to require selling of the assets of the Naval Petroleum Reserve Program.

Motion not agreed to: 9 Yeas 12 Nays

Yeas:
Domenici
Armstrong
Boschwitz
Symms
Grassley
Kasten
Quayle
Danforth
Rudman

Nays:
Chiles
Sasser
Riegle
Exon
Lautenberg
Sanford
Wirth
Fowler
Conrad
Dodd
Kassenbaum
Nickles

Not voting:
Hollings
Johnston
Simon

(5) CHAIRMAN‘S motion that the Committee report the Chairman's mark with a recommendation that it do pass.

Motion not agreed to: 18 Yeas 3 Nays

Yeas:
Chiles
Sasser
Riegle
Exon
Lautenberg
Sanford
Wirth
Fowler
Dodd
Domenici
Kassenbaum
Boschwitz
Grassley
Kasten
Quayle
Danforth
Nickles
Rudman

Nays:
Conrad
Armstrong
Symms

Not voting:
Hollings
Johnston
Simon

ADDITIONAL VIEWS OF SENATOR JIM SASSER

I voted for and support the 1989 budget resolution reported by the Senate Budget committee. I do so for a number of reasons.

First, the 1989 budget resolution keeps intact the deficit reduction goals of the economic summit. This resolution insures that in the space of 2 years, the deficit will be reduced by some $79.7 billion, the largest 2-year deficit reduction ever achieved since the Congressional Budget Act was adopted.

Second, the budget resolution enables the Congress to meet the requirements of the Gramm-Rudman-Hollings Act, and with some margin to spare.

The budget resolution calls for a deficit of some $136 billion this year. Under the terms of Gramm-Rudman-Hollings, this is the basic deficit target that has to be met this fiscal year; although no "sequester" is called for unless the budget deficit exceeds $146 billion.

A similar, though not identical budget, passed the House Budget Committee by a unanimous vote and the House of Representatives by a vote of 319–102. I believe that this budget resolution will have bipartisan support in the United States Senate.

While the budget resolution, as reported, meets the terms and conditions of the economic summit, the resolution is a marked improvement over the President's Budget in a number of ways.

I am pleased, for example, that the budget resolution as reported does not endorse the $1.25 billion in Medicare reductions recommended by the Reagan administration. This would have worked a considerable hardship on Medicare recipients and health care providers alike. About 54 million elderly, disabled, and poor Americans will have most of their health care costs paid for by the Medicare and Medicaid programs in 1989, an increase of 1 million people, or 2 percent above 1988 levels. Furthermore, about one in every five Americans will be helped by Medicare and Medicaid in 1989. In the State of Tennessee alone, over 600,000 elderly individuals are served by the Medicare program.

The resolution also provides for other improvements over the President's original budget proposal.

The resolution provides for some additional $500 million in budget authority to help fund a much-needed nutrition program that may eventually replace the Temporary Emergency Food Assistance Programs (TEFAP) which currently serves some 190,000 needy individuals and families, many of them elderly women living alone, in the State of Tennessee. The Women, Infants, and Children program is also expanded to help provide additional nutrition to some 150,000 low birth-weight babies and expectant mothers.

The resolution, as reported, restores funding for a number of other vital domestic programs, as well.

A strong mass transit operating assistance program is retained. $225 million for assistance for State and local drug enforcement programs which are essential in promoting Federal-State-local cooperation against drug pushers and drug traffickers is restored.

Moreover, the budget resolution does provide significant increases in national priority programs in the areas of air traffic control, increased student assistance under the Pell grant program, and expanded AIDS research.

The budget resolution also wisely supports high priority programs that are essential to our future economic and technological competitiveness. Thus, it calls for an 11 percent increase for National Science Foundation programs, and new funding for the Superconducting Super Collider.

There are some additional improvements that could be made to the budget resolution, matters which I am sure that will be duly considered in the Senate-House conference on the resolution.

Proposed reductions in community and economic development programs came at a time when many distressed urban and rural communities most need such funds. The various economic development programs contained in Function 450 of the budget have been of significant help to many cities and counties in bringing new or expanded industry into their communities.

Over the past several years, these economic development programs have helped cities and counties in my State of Tennessee plan and build for a better economic future. Whether it be a new ceramics plant in Crossville, Tennessee, or a rehabilitated industrial plant in Memphis, Tennessee, these economic development programs should be sustained.

I am hopeful that in Senate-House conference, some additional funds can be found for these worthwhile programs.

In the same vein, I am concerned about the provisions in the resolution affecting the Rural Electrification Administration (REA).

The committee provides, that the Agriculture Committee, by terms of a reconciliation measure, must sell nearly $1.5 billion in REA asset.

The REA generating systems have a desperate need to refinance their high-interest Federal Financing Bank loans with a 100 percent guarantee. Yet, the administration has made it abundantly clear that it opposed the refinancing of such loans. Requiring REA asset sales through a reconciliation bill may well invite a presidential veto of an important component of this budget resolution and at the same time hinder REA refinancing.

The House Budget Resolution, on the other hand, correctly assumes $4.6 billion in new asset sales, but does not require such savings to be achieved via a reconciliation bill.

In summary, the bipartisan budget resolution, reported by the Senate Budget Committee keeps the terms and conditions of the economic summit intact. It provides for continued fiscal restraint in the budget process. It continues to provide for significant deficit reduction. Yet, the budget, as reported, still provides adequate funding for a wide variety of essential defense and non-defense programs. Finally, the budget accomplishes this without resort to any new tax increases.

The deficit reduction battle, of course, is far from over, but the Senate Budget committee, by this resolution, has shown that it intends to support fiscal policies that will turn the country away from the "spend and borrow" policies pursued by the Reagan administration during the past several years.

ADDITIONAL VIEWS OF SENATOR DONALD W. RIEGLE, JR.

The summit agreement, while not perfect, has helped us to craft a compromise, bipartisan budget, ahead of schedule which continues to make the hard choices begun last year. It is clear that the only way to solve the Federal deficit problem is through the concerted and cooperative efforts of Congress and the administration.

The committee budget plan is notable for its emphasis on key programs that will keep this country on the forefront of emerging technologies, helping boost productivity and economic growth. Increases for education, science and technology, including funding for the superconducting supercollider are investments not only in today but in the future strength and vision of this country. This budget also strengthens or maintains a number of key programs to address urgent national problems, including AIDS research, critical nutrition program reforms, programs for the homeless, low-income home energy assistance, and the the highly successful women, infants, and children feeding program. We must continue to protect programs that help low-income or sick individuals who have nowhere else to turn.

I am disappointed that the resolution does not include funding for some needed improvements in the medicaid program. The method used to recalculate the formula used to determine the Federal matching rate for medicaid and AFDC is flawed and does not reflect current economic conditions. This year, a number of States are severly hurt because of economic deterioration which is not reflected in the formula. I intend to offer legislation to protect those states while we review ways to correct this problem. It is also imperative that we fund provisions to broaden medicaid coverage for pregnant women and children, to protect families during a period of transition from welfare to work, and to protect low-income elderly against spousal impoverishment and from medicare cost sharing requirements. While the Chairman has indicated his support for these initiatives, I intend to continue to work to see that they are enacted and funded.

This budget contains some provisions which I do not support. I am particularly concerned about cuts to programs for our urban areas. The committee budget assumes 5.8 percent cuts in the Urban Development Action Grants Program and the Community Development Block Grant Program. These programs have already taken more than their share of reductions. UDAG has been reduced by 68 percent and CDBG has been reduced by over 22 percent since 1981. While the funding has decreased, the need has increased. Congress recently reauthorized, and the President signed into a law a housing bill that supported higher levels than assumed in this bill. These programs are vital to improving the economic health of our nation's urban areas and must be protected.

Finally, I would like to comment on the issue of the social security trust funds. Although social security was taken off budget in 1985, it is still included in calculating the Federal deficit under the Gramm-Rudman-Hollings law. Social security has been running a surplus for several years and that surplus will continue to increase well into the next century. This surplus is currently being used to hide the true size of the Federal operating deficit. I believe that we should take steps to remove social security completely from all deficit calculations and I look forward to working with the Chairman on this issue.

The Federal deficit crisis demands that we continue to work together to solve this problem. Last year showed us that the arbitrary, inflexible mechanism of Gramm-Rudman will not get the job done. This process has shown that we can practice spending restraint without dismantling important programs and without across-the-board tax increases. I hope this spirit of cooperation will continue during Senate consideration and in conference with the House.

DONALD N. RIEGLE, Jr.

MINORITY VIEWS OF SENATOR ERNEST F. HOLLINGS

We have a bad habit here in Washington: We are paying only 80 percent of our bills but we keep on spending—recklessly. Regrettably, this year's budget resolution—and the summit agreement on which it is premised—does nothing whatsoever to break this destructive cycle of borrowing and spending.

As we all remember, the domestic summit was convened in the crisis atmosphere following the October 19 Wall Street crash. In began with a sense of urgency, with a tough-minded determination that no holds were barred and everything was on the table. The objective was a dramatic and convincing assault on the deficit.

But as the negotiations droned on into December and the immediate crisis receded, our summiteers lost their nerve. The objective became not so much to reduce the deficit as to avoid a sequester. Accordingly, we abandoned the quest for authentic cuts in the deficit, and took refuge in our old standbys of asset sales, IRS initiatives, and rosy economic scenarios. Indeed, far from cutting the deficit, the summit accord actually increased spending in FY 1989 by $68 billion.

Congress acknowledges CBO's prediction of a $177 billion deficit in 1989, but proceeds to lop off approximately $36 billion by invoking OMB's economic and technical assumptions. Any suggestions that these numbers are optimistic, that we need deeper cuts and higher taxes, are rejected. Secretary Baker and Budget Director Miller insist at every turn that "a deal is a deal." And who in Congress wants to rock the boat? Our own druthers are to avoid election-year brawls, produce a non-pain 1989 budget, go home early and get re-elected.

On discretionary domestic spending, the summit agreement calls for an overall increase of 2 percent. But this is a zero-sum game. If we go above 2 percent in one account, we must take away from another to pay for it. As a result, Democrats in Congress have gotten into a self-defeating bidding war with the White House on such matters as AIDS research and the homeless. We boast that we have increased funding for AIDS, but what of our commitment to community health centers, childhood immunizations, and maternal and child health. We boast that we have increased spending on the homeless, but it has come at the cost of cuts in low-income and rural housing programs.

The percentage of the budget allocated to education, child care, and other discretionary domestic accounts has plummeted from 25 percent in 1981 to 17 percent in 1988, while everything else in the budget remains off the table when it comes to tightening our belts. Many of the programs and priorities we hold dear as a party have been gutter by our own hand.

Of course, for those of us who seek authentic deficit reduction, there is additional irony in the 1989 budget resolution and in OMB's economic projections. If OMB is correct in predicting low inflation and a robust 3.5 percent GNP surge in 1989, then surely we should seize this last opportunity to make deep cuts in the deficit. Instead, we are embracing deficit spending that, by any honest reckoning, will swell to $177 billion in 1989—and probably well beyond that level.

And let the record show that even the CBO-projected deficit of $177 billion understates our true deficit by some $100 billion, which is the amount we are taking from the annual surpluses from our trust funds, the bulk of it coming from social security and medicare. Those trust fund surpluses are necessary today in order to fund the baby boom generation's retirement in the decades ahead. This is one more instance of stealing from future generations in order to finance our current excesses.

At the beginning of the Reagan administration, the gross Federal debt was less than $1 trillion and stood at 34 percent of GNP. By the end of the Reagan term the national debt will have risen to more than $2.5 trillion, 54 percent of GNP and the FY 1989 budget resolution continues down that path. By 1993 the debt will grow to an astounding $4 trillion. We now spend more on interest payments—$237 billion—than we do on the entire social security program—$232 billion. Thus, savings that should be available to finance productive investment, is being used to finance current government consumption.

So enough of the smug satisfaction with the summit agreement. It was not a success. It was a failure. The summit agreement—and the budget resolution, which ensues from it—is one more display of fiscal irresponsibility. A deal is a deal and once again the American People are on the wrong end of the deal.

ERNEST F. HOLLINGS.

MINORITY VIEWS OF SENATOR KENT CONRAD

I voted against the budget plan approved by the committee because we must do more to reduce the deficit and we should do it this year. The package avoids the tough choices that will be needed to reduce the structural deficit and reshape our fiscal policy.

I recognize the tough job of putting together a budget that all members can agree on. Despite my objections to the final budget package, I sincerely appreciate the courtesies extended to me by the Chairman. It has been a pleasure to work with the Chairman the past 2 years.

This budget has begun to reexamine our domestic priorities after years of disorder under the Reagan administration. We will finally begin to address medicare catastrophic benefits and welfare reform. The budget allows continuance of nutrition assistance and maintains the Low Income Home Energy Assistance Program at least at current services. The need to improve funding for education, AIDS and other health research is addressed.

While this budget begins to address low-income/high-priority needs, I believe we must do more. We have addressed the requirements of the space program by increasing the function by 25 percent, but the budget does not bring the low-income day-to-day-survival programs up to current services level. I am encouraged that the amendment I offered that would have restored current services to low-income programs for the poorest of the poor received bipartisan support in budget deliberations. The need is there and has been recognized.

Unfortunately because the committee felt bound by the flawed budget summit agreement, the overriding budget issue—reducing the deficit—was not addressed. We must take bold, brave action to begin year-to-year reduction in the budget deficit. The 1987 unified budget deficit was $150 billion. The unbiased CBO estimate of the President's 1989 budget deficit was $165 billion. We have, with the budget, increased the deficit even further. We are going in the wrong direction!

The need to make substantial headway this fiscal year to reduce the Federal budget deficit is absolutely urgent. Under the misguided economic policies of this administration the deficit has risen to staggering levels, unprecedented in a period of economic recovery. (Figure 1.)

Over the past 7 years, we have more than doubled the national debt, and our trade deficit has increased sixfold. I'm convinced that our hopes of achieving a more balanced set of economic policies—which would bolster our growth rate and international competitiveness of our industries—depend on a credible plan for steadily reducing the Federal deficit. I believe that if we do not begin now, we will preside over economic decline.

The IRS budget has been frozen, weakening the agency's ability to improve tax compliance. The Federal tax gap is currently about $85 billion, and much of this revenue is collectible. I am convinced that a comprehensive effort to upgrade Federal tax enforcement and taxpayer service could build upon the success we've seen at the State level—and produce substantial additional revenues for years to come. According to a study released by the California Institute of Technology last year, Federal revenues would have been $47 billion higher in 1985 if the IRS had maintained the same audit rates that it had in 1977. We have an opportunity to bring in significant additional revenue without increasing the burdens on honest taxpayers—if we make greater effort to assure that everyone pays a fair share.

I do not accept the budget summit agreement that places floors on major portions of the budget and increases the budget deficit over last year. We cannot make progress on the deficit when we are limited to arguing over 12 percent of the budget in domestic discretionary programs. Previous agreements notwithstanding, we have a responsibility to review in detail all authorization requests and make hard choices in balancing national needs with available resources.

I do not accept the conclusion that nearly $300 billion is appropirate funding for defense given our current deficit situation. Our peacetime defense spending, after inflation, has been higher in the 1980's than ever before in U.S. history. Since 1980, defense funding has risen over 47 percent in real terms after inflation. The rest of the budget, including payments to individuals under so-called entitlement programs, has increased by only 17 percent during the same time period.

We have not begun to address in real terms the implications of continuing to spend over $100 billion on the defense of Western Europe and Japan while we borrow the money from them to do it. For the last 40 years, our country has provided the defense umbrella for our friends in Europe and Japan. That may have made sense after World War II when Japan lay in ruins and Europe was flattened. I do not believe we can afford to continue to provide the defense umbrella for our friends in Western Europe and Japan when their economies are resurging. They are strong economically and enjoying tremendous trade surpluses with the United States. It is time to ask our friends in Japan and Western Europe to take on their fair share of the defense burden.

In addition, the administration defense request for 1989, which we accepted without discussion, also sets the stage for real increases in the future. I am concerned about the implications of future growth in defense procurement activities which are projected by the Office of Management and Budget to grow 5 percent a year after inflation by FY 1992. A reduction in procurement in the 1989 budget request is masking the intent to acquire new systems over the next several years that are currently under development. The total cost of acquiring these systems must be faced eventually.

I am a strong supporter of research and development efforts across all technological boundaries in order for us to keep our qualitative edge in not only weapon systems but in commercial technology as well. However, I am concerned about continued research and development funding of two strategic nuclear missile deployment systems when only one system will be built

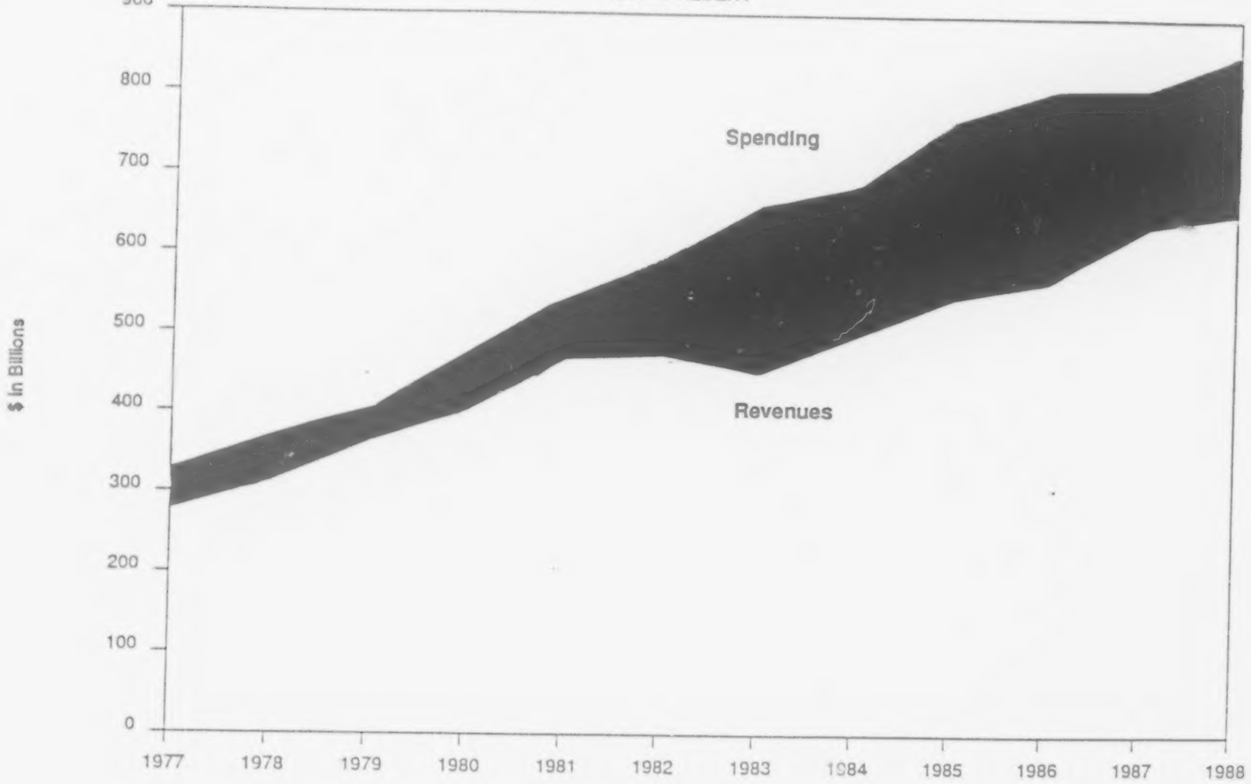
I have always endorsed a strong national defense. I do not, however, endorse the budget summit conclusion that $299.5 billion is the proper funding level for defense and believe we must have a budget that forces the Pentagon to prioritize.

I believe the summit agreement allows us to postpone the tough decisions required to bring the budget deficit under control.

KENT CONRAD.

FEDERAL SPENDING & REVENUES

1977 - PRESENT



MINORITY VIEWS OF SENATOR STEVEN D. SYMMS

Yesterday, the Committee on Armed Services met to discuss our recommendation to the Budget Committee for the FY 1989 National Defense Function targets, and it was the consensus of the committee to endorse the level of funding in the President's budget request. I am writing to advise you that I cannot concur in the committee's recommendation to the Budget Committee.

During the first 5 years of the Reagan administration, defense funding increased substantially in real terms to redress the serious decline in our military forces during the 1970's. Despite congressional efforts to cut requested defense budgets in each of those first 5 years, the "hollow" Army and 'hemorrhaging" Navy were revitalized with new and properly maintained equipment manned by well-trained soldiers and sailors. But beginning with the FY 1986 budget review, irresponsible congressional reductions resulted in significant real declines in defense spending, and we are now seeing the results of the past 3 years of shrinking defense budgets.

The major indicators of military readiness are beginning to show downward trends, primarily due to lack of pay comparability with the private sector. Since FY 1982, military pay raises have been capped well below requested levels, resulting in an estimated 11 percent pay comparability gap with the private sector. The 4.3 percent military pay raise requested for FY 1989 will only keep this year's increase comparable to the expected rise in private sector wages, doing nothing to close the overall comparability gap.

As a result, recruiting and retention measures show particular problems in highly technical specialties. For example, the cumulative career retention rate for Air Force pilots is currently only 48 percent, while the minimum requirement is 63 percent. Doctors, electronics and computer specialists, and other highly qualified personnel are beginning to leave the services at an alarming rate. The cost of replacing these highly qualified personnel greatly exceeds the cost of retaining them.

Training of military personnel has suffered as a result of shrinking defense budgets. In the Army, actual training days did not meet the goal in *any* of the past 3 years; Navy steaming days have been funded at a level barely consistent with stated goals; and tactical flying hours in the Air Force have fallen below goals in 2 of the past 3 years.

During the past 3 years, specific, Congressional budget cuts have resulted in decreased investment in research and development, in-efficient production rates, and shortages in spare parts and munitions stocks. The FY 1989 budget request proposes program terminations and deferrals, delayed new starts, reduced research funding, and major reductions in force structure to accommodate reductions in available funding.

I believe the November 1987 budget compromise imposed dangerously low levels of funding for national defense, both in FY 1988 and FY 1989. The FY 1989 budget request, which conforms to those agreements, represents the fourth year of real decline for defense, cumulatively over 11 percent since FY 1985. I cannot endorse the level of risk entailed in restricting defense spending to the agreed levels.

STEVEN D. SYMMS.

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